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

FORM 10-KSB/A

Amendment No. 2

(Mark one)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2003

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

Commission File Number: 0-24217

YP CORP.
(Name of Small Business Issuer in its Charter)

NEVADA	85-0206668
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
4840 EAST JASMINE STREET, SUITE 105, MESA, ARIZONA	85205
(Address of principal executive offices)	(Zip Code)

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

Securities registered under Section 12(b) of the Exchange Act: NONE

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, $.001 PAR VALUE
(Title of Class)

YP.NET, INC.
(Former Name)

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

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

Registrant's revenues for its most recent fiscal year were $30,767,444.

The aggregate market value of the common stock held by non-affiliates computed based on the closing price of such stock on December 26, 2003 was approximately $29,600,000.

The number of shares outstanding of the registrant's classes of common stock, as of December 26, 2003 was 48,560,802.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

DOCUMENTS INCORPORATED BY REFERENCE: None.

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-KSB/A (this "Amendment") amends the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2003, originally filed on December 31, 2003 ("Original Filing") and as amended previously on January 30, 2004 solely for the purpose of making the amendments set forth herein. In addition, in connection with the filing of this Amendment and pursuant to the rules of the Securities and Exchange Commission, the Company is including with this Amendment certain currently dated certifications.

Except as described above, no other changes have been made to the Original Filing. This Amendment continues to speak as of the date of the Original Filing, and the registrant has not updated the disclosures contained therein to reflect any events that occurred at a date subsequent to the filing of the Original Filing. The filing of this Form 10-KSB/A is not a representation that any statements contained in items of the Original Filing other than that information being amended are true or complete as of any date subsequent to the date of the Original Filing. The filing of this Form 10-KSB/A shall not be deemed an admission that the original filing or the amendments made thereto, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading.

PART I

Forward-Looking Statements

Part I of this Annual Report on Form 10-KSB, includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in Part I of this Annual Report include, but are not limited to: (i) our expected continued success in our direct mail marketing program; (ii) the expected success of our branding strategy; (iii) our anticipated entry into other countries; and (iv) our strategy to begin marketing to national accounts.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in the section below titled "Certain Risk Factors Affecting Our Business" in Part II, as well as other factors that we are currently unable to identify or quantify, but may exist in the future.

In addition, the foregoing factors may affect generally our business, results of operations and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

ITEM 1. DESCRIPTION OF BUSINESS

General

YP.Net, Inc., a Nevada corporation (the Company, "we, "us," or "our") is a national Internet Yellow Page publisher. Through our wholly-owned subsidiary, Telco Billing, Inc. ("Telco"), we only publish our Yellow Pages online at or through the following URL's: www.Yellow-Page.Net, www.YP.Net and www.YP.Com.
Any information contained on the foregoing websites or any other websites referenced in this Annual Report are not a part of this Annual Report.

We use a business model similar to print Yellow Page publishers. We publish basic directory listings ("Basic Listings"), free of charge. Like Yellow Page publishers, we generate revenues from those advertisers ("Advertisers") that desire increased exposure for their businesses. Our Basic Listings contain the business name, address and phone number for almost 18 million U.S. businesses. We strive to maintain a listing for almost every business in America in this format.

As described below, Advertisers pay us monthly fees in the same manner that advertisers pay additional fees to traditional print Yellow Page providers for enhanced advertisement

font, location or display. The users ("Users") of our website(s) are prospective customers for our Advertisers.

We offer several different upgrades to our advertising customers:

Internet Advertising Package(TM) ("IAP"). Under this package, the Advertiser pays for additional exposure by purchasing a Mini-WebPage(TM). This Mini-WebPage contains, among other useful information, a 40-word description of the business, hours of operation and detailed contact information. This product is easily searched by Users on their personal computers, as well as cellular phones and other hand-held devices. In order to provide search traffic to the Advertiser's Mini-WebPage, we elevate the Advertiser to a preferred listing ("Preferred Listing") status, at no additional charge. As such, the preferred Advertiser enjoys the benefit of having its advertisement displayed in a primary position before all Basic Listings in that particular category when Users perform searches on our site(s). The Mini-WebPage is easily accessed and modified by Advertisers. We also provide our Internet Advertising customers with enhanced presentation and additional unique products:

- larger font;
- bolded business name;
- map directions;
- a Click2Call feature, whereby a User can place a telephone call to the Internet Advertising customer by clicking the icon that is displayed on the Mini-WebPage. This initiates a telephone call by the Advertiser to the user, in a conference call type format. Once both are connected it functions as a regular phone call. Because we cover all charges for this telephone call, it is free of charge to both the User and the Internet Advertising customer. We have an agreement with WebDialogs, Inc. to provide this service;
- a link to the Internet Advertiser's own webpage; and
- additional distribution network for Preferred Listings. This feature gives additional exposure to our Internet Advertising customers by placing their Preferred Listing on several online directory systems. This service is currently free of charge to our Advertisers.

The Internet Advertising Package currently costs the Advertiser $24.95 per month ($21.95 for new Advertisers). As of September 30, 2003, we had signed up approximately 250,000 Internet Advertising Packages. Currently, this product accounts for over 95% of our revenue.

Online QuickSite Package(TM) ("QuickSite(TM)"). For those IAP Advertisers that do not have their own website and that desire to provide more information than is offered through the IAP Mini-WebPage, we will design and create an eight page, template-driven, website for the Advertiser, a QuickSite. We charge the Advertiser a set-up fee of $200.00 and an additional $39.95 per month for hosting services for their QuickSite. We receive $12.50 per QuickSite sold through our distribution chain rather than the full $39.95. We receive the $200.00 set-up fee for all QuickSite customers, provided that we

handle the set-up, even from those customers obtained through third-party agents, such as EZSitemaster. Once set up, the Advertiser can access their new QuickSite online and make modifications at their discretion. This essentially serves the same function as do display advertisements in the print Yellow Page books, except that it can be changed more often to meet Advertisers' needs. Users can access these QuickSites on the World Wide Web or from the Advertisers Preferred Listing or Mini-WebPage. As of September 30, 2003, we had created and currently host approximately 265 QuickSites.

Internet Dial-Up Package(TM) ("IDP"). We offer our Internet Advertising customers a cost-effective and efficient Internet dial-up package to take advantage of the benefits offered by on-line access. This allows our Advertisers who do not have Internet access to take full advantage of the IAP and QuickSite packages that we offer. In certain geographical areas, we have offered a bundled product whereby the IAP Advertiser can either pay for the advertising or the IDP, in which case they will receive the other service free. To date, approximately 40,000 Internet Advertising customers utilize the service without charge. However, we intend to expand and market this package to new Advertisers in the next fiscal year at a cost of $34.95 per month for a bundled product. Those Advertisers that already have the free service will retain their current bundled pricing.

Marketing. Unlike most print Yellow Page companies that sell advertising space by visiting or calling potential advertisers in their area, we solicit advertisers for our Internet Advertising Package exclusively by direct mail. We believe this enables us to offer our products and services at more affordable rates than our competitors. Moreover, we believe direct mail is a less expensive form of marketing than visiting or calling potential customers. Currently, our direct mail marketing program includes a promotional incentive, generally in the form of a $3.50 activation check that a solicited business simply deposits to activate the service and become an Internet Advertising customer on a month-by-month basis. As a method of third-party verification, the depositing bank verifies that the depositing party is in fact the solicited business. Upon notice of activation by a depositing bank, we immediately contact the business to confirm the order and obtain the information necessary to build their Mini-WebPage. Within 30 days of activation, we also send a confirmation card to the business. To ensure our goal of 100% customer satisfaction, we offer a cancellation period of 120 days and a full refund. Our direct mail marketing program complies with and, in many instances, exceeds the United States Federal Trade Commission ("FTC") requirements as established by agreement signed between the Company and the FTC in September 2001.

Billing. Similar to the local Regional Bell Operating Companies, we are approved to bill our products and services directly on most of our Advertisers' local phone bill. We believe that this is a significant competitive advantage as few independent Yellow Page companies are authorized to do business in this fashion.

Benefits to Advertisers. For advertisers, we believe that online Yellow Pages provide significant competitive advantages over existing print directories. For example, the ability of online advertisers to access and modify their displays and advertisements often results

in more current information. Additionally, online advertisers can more readily advertise temporary or targeted specials or discounts. We provide added value to our Advertisers who have purchased our Internet Advertising Packages through promotion and branding of our website to bring customers to our Advertisers. We believe that the large number of Internet Advertising Packages, that includes the Mini-WebPages, provides Users with more information, which is more readily available on our sites, compared to our competitors. We believe that we provide Users with what they are looking for, more quickly and more efficiently. We believe the attraction of such Users will, over the long-term, result in more sales for our Internet Advertisers.

Moreover, we provide additional value through our relationships. We provide the vast majority of the Preferred Listings on a number of competitors' websites, including www.switchboard.com, www.myareaguide.com, as well as on www.go2.com. The go2 site has exclusive contracts with providers like Verizon Wireless, AT&T Wireless, ALLTEL, Nextel and Sprint to also provide this information to their cellular phone and hand-held device subscribers.

From a User's Standpoint. A National, online Yellow Pages allows the User to access information nationally rather than relying exclusively on local listings like those provided in print Yellow Page directories. In addition, our product offerings allow Users to find and take advantage of advertisers' current special

offerings and discounts. We also provide easy access to such information through desktop or laptop computers, cellular phones or hand-held devices, such as personal digital assistants. We believe our offering of a national online Yellow Pages service meets the growing demand for immediate access and the increasing need and trend of Users who are more frequently traveling to areas outside the areas serviced by their local print directories.

Directory Service and Search Engine. We also believe that our products offer many competitive advantages over standard search engines. Our directory service and search engine format allows the User to search by location using either a business name or business category. Unlike popular commercial search engines, our search engine does not search the Internet to provide results. Instead, it searches our defined database, resulting in a more focused, refined and, oftentimes, quicker and more accurate search.

Growth Strategies and Initiatives

Internet Advertising Package. We currently derive almost all of our revenue from selling IAPs. During fiscal 2003, we continued our direct mail marketing program to acquire additional Internet Advertising customers. We regularly solicit potential advertisers from a database of approximately 18 million U.S. businesses. This database is continually updated to account for new or closed businesses, as well as updated contact information. As a result of this program, we have increased our IAP customer count from 113,565 at September 30, 2002 to 255,376 at September 30, 2003. This total represents less than 2 % of the total available market of 18 million U.S. businesses according to Acxiom USA. During fiscal 2004 and beyond, we plan to continue aggressively marketing additional IAPs using our direct mail marketing program.

Branding. We plan to further embark upon a substantial campaign to brand our YP.Com name and our products. We seek to become the "internet Yellow Pages of choice" to advertisers and Users performing searches. We plan to use various forms of media, which may include print, television, radio, billboard and movie-theater advertising in select markets or nationally. We believe such branding will help to attract Users to our websites, as well as advertisers to sign-up for our IAP and/or other service offerings. The goal of our branding is to obtain instant customer recognition of our offerings that, over time, may enhance the response rate of our direct mail marketing program.

Expansion of Service Offerings to Other Countries. We are currently exploring our ability to offer our services in other English-speaking countries, which we believe we could accomplish without hiring a significant number of additional people or incurring additional training costs.

Marketing of QuickSite. Until recently, we have not focused our marketing efforts on the QuickSite service offering. As a part of a test market, we maintained three full-time sales people and experimented with less traditional lines of selling, such as through third party agents like EZsitemaster, Inc. Through these efforts, we acquired an aggregate of 265 QuickSite customers during fiscal 2003. Of this number, none were acquired through EZsitemaster. In fiscal 2004, we will continue these efforts, as well as test marketing the use of our direct mail marketing program tailored for this product. We believe that this marketing effort may produce additional revenues.

Internet Dial-Up Package. We will test market this product at $16.95 per month in fiscal 2004. We also plan to begin charging new Advertisers for our bundled product, consisting of the IAP and IDP, in certain geographical areas. Initially, this bundled product will cost the new Advertiser $34.95 per month. This pricing will save the Advertiser approximately 8% over the individual stand alone prices. We believe this offering will enhance revenue by raising the price to the Advertiser for each ISP/IDP sold at very little additional cost to us.

National Accounts Marketing. Currently, we have limited our marketing efforts to individual business units, rather than national accounts such as hotel chains, automobile dealers, etc. We believe a significant opportunity exists to offer our IAP and other service offerings to such national accounts on a bulk basis, which, if successful, may result in additional revenues. We plan to hire or contract with a dedicated sales force, as well as customer account set-up/maintenance personnel.

The Internet Yellow Page Market

According to The Kelsey Group and the Yellow Pages Integrated Media Association (YPIMA), while there are approximately 200 major U.S. Yellow Page print publishers, an increasingly mobile and computer-sophisticated population is accessing the Yellow Pages by way of the Internet at a sharply increasing rate.

Approximately 13% of Yellow Page directory inquiries were conducted online in 2002 compared with 2% in 2000. According to a Kelsey Group report, the total Yellow Pages directory industry is expected to grow at an annual rate of seven percent through 2008, resulting in an increase in total spending from approximately $15 billion in 2003 to an estimated $21.3 billion in 2008. However, the vast majority of this anticipated growth is expected to be in the online Yellow Pages advertising industry rather than traditional print advertising. Specifically, the Kelsey Group forecast estimates the online Yellow Pages advertising market to grow at an annual rate of 59% per year through 2008 or from approximately $500 million in 2003 to an estimated $5.2 billion in 2008. This is compared to an expected 2.5% annual rate of growth in the traditional print Yellow Pages market from approximately $14.5 billion in 2003 to an

estimated $16.1 billion in 2008. These anticipated rates of growth would result in the online Yellow Pages advertising industry achieving a market share of 25% of the total Yellow Pages advertising industry in 2008 compared to a current market share of just three percent.

Based upon our revenues of approximately $30 million of the currently estimated $500 million online Yellow Page market, we believe that we have approximately six percent of the fragmented online Yellow Page market and is therefore one of the leading online Yellow Page companies in terms of revenue.

Internet usage provides the User with the following major advantages over print Yellow Pages:

- More current and extensive listing information.
- Immediate access to business listings across the nation from any location.
- Broad accessibility via computers and hand-held devices, such as mobile phones and personal digital assistants.
- Features such as mapping, direct calling to the advertiser and e-mail at the click of a button may also be available.

There are also a number of advantages that an Internet Yellow Pages listing offers to our Advertisers:

- Lower costs for a given level of content.
- The ability to easily access and modify their displays and advertisements, which allows for temporary or targeted specials or discounts.

This market information is summarized in chart form below.

<TABLE>
<CAPTION>

ADVERTISING REVENUE
$ BILLIONS (1)

	2003	MARKET SHARE	2008%	GROWTH PER YEAR	MARKET SHARE
PRINT.	14.5	97%	16.1	2.5%	75%
ONLINE	0.5	3%	5.2	59%	25%
TOTAL.	15	100%	21.3	7%	100%

<FN>
(1) Source: The Kelsey Group and the Yellow Pages Integrated Media Association (YPIMA)
</TABLE>

Pricing

We currently price our Internet Advertising Package for new Advertisers at $21.95 per month, which includes all of the service benefits previously described. By comparison, our major Internet competitors are priced significantly higher. The table below sets forth the major direct online competitors, along with current monthly price estimates; the companies include independent Internet Yellow Page providers and the online versions made available by telephone companies.

- Switchboard- $35.00 per month
- Smartpages (offered by Southwestern Bell)- $39.00- $49.00 per month
- Super- Pages (offered by Verizon)- $55.00- $90.00 per month
- Dex-Media (offered by Qwest) - $60.00 per month

In addition to our lower price, we believe that our product offerings in many cases are superior. For example, Superpages charges their $55.00 per month price for a bolded-listing only. Our lower price includes the Mini-WebPage, which includes much more information, as well as the rest of the benefits of the IAP. Moreover, our pricing advantage is even more significant when compared with the printed Yellow Pages. For a Yellow Page listing with comparable information content, an advertiser would typically pay over $500 per year. This listing in the printed Yellow Pages would include a business description of comparable size to our Internet offering but would of necessity lack our Click2Call feature, mapping directions, and link to the Advertisers website. Moreover, as mentioned previously, our online Yellow Page advertisement offering has an almost unlimited degree of flexibility in terms of changing content and adding special informational items at any time throughout the year. This feature is only available to printed Yellow Page advertisers as the books are republished infrequently throughout the year.

Products and Services

We use a business model similar to print Yellow Page publishers. We publish basic directory listings ("Basic Listings"), free of charge, on our Internet business directory. Like Yellow Page publishers, we generate revenues from those Advertisers that desire increased exposure for their businesses. Our Basic Listings contain the business name, address and phone number for almost 18 million U.S. businesses. We strive to maintain a listing for almost every business in America in this format.

For those advertisers that want to get additional exposure for their businesses or to fully take advantage of connectivity to the World Wide Web, we offer additional products and services for a fee. We offer several different upgrades to our advertising customers:

Internet Advertising Package(TM) ("IAP"). Under this package, the Advertiser pays for additional exposure by purchasing a Mini-WebPage. This Mini-WebPage contains, among other useful information, a 40-word description of the business, hours of operation and detailed contact information. This product is easily searched by Users on their personal computers, as well as cellular phones and other hand-held devices. In order to provide search traffic to the Advertiser's Mini-WebPage, we elevate the Advertiser to a preferred listing ("Preferred Listing") status, at no additional charge. As such, the preferred Advertiser enjoys the benefit of having its advertisement displayed in a primary position before all Basic Listings in that particular category when Users perform searches on our site(s). The Mini-WebPage is easily accessed and modified by Advertisers. We also provide our Internet Advertising customers with enhanced presentation and additional unique products:

- larger font;
- bolded business name;
- map directions;
- a Click2Call feature, whereby a User can place a telephone call to the Internet Advertising customer by clicking the icon that is displayed on the Mini-WebPage. This initiates a telephone call by the Advertiser to the user, in a conference call type format. Once both are connected it functions as a regular phone call. Because we cover all charges for this telephone call, it is free of charge to both the User and the Internet Advertising customer. We have an agreement with WebDialogs, Inc. to provide this service;
- a link to the Internet Advertiser's own webpage; and
- additional distribution network for Preferred Listings. This feature gives additional exposure to our Internet Advertising customers by placing their Preferred Listing on several online directory systems. This service is currently free of charge to our Advertisers.

The Internet Advertising Package currently costs the Advertiser $24.95 per month ($21.95 for new Advertisers). As of September 30, 2003, we had signed up approximately 250,000 Internet Advertising Packages. Currently, this product accounts for over 95% of our revenue.

We primarily market for IAP's through our direct mail marketing program. (See Marketing)

We have developed various convenient billing methods for our IAP customers so that they can easily pay our fees each month and we do not need to support a large labor pool of personnel to bill customers and process payments. Our most common billing method is direct billing of our IAP services on the Advertisers local phone bill. (Local Exchange Carrier or "LEC" billing). We can also - - - process one-time and repetitive credit card payments and direct debits to the Advertisers bank account ("ACH" Billing). We also provide invoice billing for those Advertisers that prefer to pay by check. (For more information about our billing programs, see Billing)

IAP Directory Service and Search Engine - Our directory service is built around four integrated components providing our Advertisers with a visible presence on the Internet and mobile devices, such as cellular phones and Personal Digital Assistants. YP.Com- The front end of our directory services and the showcase of our technology and marketing capabilities is our website YP.Com. The YP.Com website is currently in its fifth generation of development; enhancements are on going and on a recurring schedule to meet the increased demand for our services and products. The website provides several key and easy to use features: timely information, simple search, search tips, reverse phone number lookup, mapping, and residential and business directory listings.

The Internet Advertising Package leverages the technologies associated with our YP.Com website, Search Engine distribution network, Directory and Search Engine technologies.

Online QuickSite Package(TM) ("QuickSite(TM)"). For those IAP customers that do not have their own website and that desire to provide more information than is offered through the IAP Mini-WebPage, we will design and create an eight page, template-driven, website for the customer, a QuickSite. We charge the Advertiser a set-up fee of $200.00 and an additional $39.95 per month for hosting services for their QuickSite. We receive $12.50 per QuickSite sold through our distribution chain rather than the full $39.95. We receive the $200.00 set-up fee for all QuickSite customers, provided that we handle the set-up, even from those customers obtained through third-party agents, such as EZSitemaster. Once set up, the Advertiser can access their new QuickSite online and make modifications at their discretion. This essentially serves the same function as do display advertisements in the print Yellow Page books, except that it can be changed more often to meet Advertisers' needs. Users can access these QuickSites on the World Wide Web or from the Advertiser's Preferred Listing or Mini-WebPage. As of September 30, 2003, we had created and currently host approximately 265 QuickSites.

We outsource to Community IQ, d/b/a Vista.com, the work of producing usable templates for, as well as the hosting of, the QuickSites. Our agreement with

Vista that was originally for three years and has automatic, successive renewal terms of one year each, unless either Vista or the Company gives the other party 90 days' prior advance notice of its intention not to renew. The initial three-year term expires on September 18, 2004. This agreement allows us to focus on marketing the sites for additional revenue without the need for additional hardware, software or technical support personnel. In recent discussions, the parties have agreed to enhanced cooperation in the marketing and development of the QuickSites. Our cost for Vista's hosting of the QuickSites is $6.50 per QuickSite per month.

During fiscal 2003, we began test marketing the QuickSites through a variety of channels. One of the test markets we developed is the concept of working through other agents and selling into their networks. We hired an outside company to represent our products through their distribution channel. We have a three-year multilevel marketing agreement with EZsitemaster, Inc. to resell our QuickSites to small business owners and other website operators, who in turn may resell to their own small business owners. Of our 265 QuickSite customers, none were obtained through EZSitemaster. The original

term of this agreement expires in January 2006. However, the agreement has automatic, successive one-year renewal terms unless either party gives the other party 90 days' prior advance notice of its intention not to renew. Under the agreement, EZsitemaster pays us $12.50 per website per month that it sells through its distribution channel.

In addition, EZsitemaster will develop additional website templates using the Vista platform for both the Company and EZsitemaster to sell. These templates are referred to as EZsites. These EZsites add to our suite of products and the variety of services we offer to our Advertisers without any additional work. When we sell these EZsites, we will pay EZsitemaster a sliding scale fee based on the hosting price we charge. Since we currently sell all template driven websites, including the EZsites, under the QuickSite nameplate for a monthly hosting fee of $39.95, we will pay EZsitemaster $1.00 per month for each EZsite used. A provision under the agreement allows us to outsource custom sites to EZsitemaster for those Advertisers desiring to provide even more information to Users than is currently provided by our QuickSites. Under that arrangement, we will evenly split with EZsitemaster any revenue created.

Currently, all set-up fees and monthly hosting fees are paid by the Advertisers by charging of their credit cards. Provisions under the Vista contract allow the Company to collect these credit card payments directly from the Advertisers if it should so chose. However, since this product is in its infancy, the Company has elected to have Vista collect those payments on its behalf. Once collected, Vista supplies a detailed billing statement to us with each payment. We then pay to EZsitemaster the portion they are due. However, once we begin our direct mail marketing program, we will also utilize LEC and/or ACH billing methods. (See Billing for more detail).

We currently outsource to Vista the technologies supporting our QuickSite product offering. However, if it makes strategic sense to do so, we do have the capability and the capacity to easily convert from a Vista provided turn -key operation to an internally managed solution. However, we currently do not anticipate any changes to our relationship with Vista.

Internet Dial-Up Package(TM) ("IDP"). We offer our Internet Advertising customers a cost-effective and efficient Internet dial-up package to take advantage of the benefits offered by on-line access. This allows our Advertisers who do not have Internet access to take full advantage of the IAP and QuickSite packages that we offer. In certain geographical areas, we have offered a bundled product whereby the IAP customer can either pay for the advertising or the IDP, in which case they will receive the other service free. To date, approximately 40,000 Internet Advertising customers utilize the service without charge. However, we intend to expand and market this package to new Advertisers in the next fiscal year at a cost of $34.95 per month for a bundled product. Those Advertisers that already have the free service will retain their current bundled pricing.

The technology for the Internet Dial Up Package is implemented as a combination of an outsourced service contract for the technologies and communications services with an

internally developed and managed User management and access provisioning system. The telephone dial-up communications service will be provided by GlobalPOPs, a national wholesaler and provider of Internet dial-up access. Access to the dial-up service is managed by our customer service team. The customer service team communicates directly with the Advertiser to determine the closest local dial-up access number the Advertiser is to use and assists the Advertiser with the appropriate configuration necessary to effect a connection with GlobalPOPs nationwide network. If the user is mobile, we provide an option for nationwide toll free access to GlobalPOPs network. When an Advertiser dials into their local access number, GlobalPOPs connects with our customer database to authenticate the request for access. Upon successful authentication the Advertiser is granted access to the GlobalPOPs network and to the Internet. Under our agreement with GlobalPOPS, we pay $.15 per hour of service used with a minimum of $450 per month.

We previously used Dial-Up Services, Inc., d/b/a Simple.Net, Inc., an Internet service provider beneficially owned by one of our directors, to provide IDP and other services to our customers. Simple.Net charged us $2.50 per customer per

month for such Internet access. Our monthly charge to some of our Advertisers includes this Internet access service. Effective January 31st, 2004, Simple. Net will no longer provide any services to us. Although the Separation Agreement between the parties provides for a 30-day extension until March 2nd 2004, neither Simple.Net nor we believe that this time period will be needed. Due to the growth of our IDP customer base, it has now become possible to buy wholesale Internet access from third party providers for less than Simple.Net could now provide. Accordingly, we have recently signed an agreement with GlobalPOPs to provide IDP service to our Advertisers. We had originally entered into the agreement with Simple.Net because it was uneconomical for us to incur the minimum charges for such an agreement with a third party provider when our Advertiser base was smaller.

Marketing

Unlike most print Yellow Page companies, which sell their advertising space by having sales representatives personally visit or call each potential advertiser in their area, we solicit advertisers for our Internet Advertising Package primarily through direct mail. This direct mail component is an essential element, which enables us to offer our products and services on a nationwide basis, which would not be economically possible or manageable through use of sales representatives making personal visits or calls to potential advertisers. In addition, we believe direct mail is a less expensive and more predictable form of marketing than physically visiting or calling potential advertisers and therefore allows us to offer potential advertisers quality products and services at much more affordable rates than our competitors.

Currently, our direct mail marketing program includes a direct mail solicitation, which is made up of several pages describing in detail our products, services, pricing, instructions on how to sign up for the service as well as how the potential advertiser will be billed. Included in this solicitation is a promotional sign-up incentive, generally in the form of a $3.50 activation check ("Sign Up Check"), made payable in the name of their business. If

a potential advertiser is interested in, and wishes to order our service, all the advertiser needs to do in order to sign-up for our service is deposit the incentive Sign Up Check in the advertiser's bank account. Because a check made out to the name of a business can only be deposited in that businesses account, the advertiser's bank then acts as a third-party verifier, confirming that the solicited advertiser is in fact the advertiser ordering the service. This deposited check then acts as a written Letter of Authorization ("LOA") (authenticated by the advertiser's bank), which we obtain from each and every advertiser prior to activating any service or billing.

Once the Advertiser deposits the Sign Up Check, a series of events begins. Our staff then places a telephone call to the Advertiser to confirm the sale, update the business information to be listed, provide our toll free number and obtain additional information to build the Mini-WebPage for the Advertiser. During this call, our staff again asks if the Advertiser has any additional questions regarding our service and repeats our toll-free number for any future questions.

In addition to the written Letter of Authorization and telephone call, we also send each and every new Advertiser a written "Order Confirmation Card" within 30 days, thanking them for choosing to do business with us, informing them of our 120-day no risk money back policy, verifying the advertising information to be displayed, confirming their order and the monthly fee which they have agreed to. We also again at this time provide the Advertiser with our 800 number so that the Advertiser may call us at any time and ask any additional questions which they may have in the future or to simply cancel the service.

We have found that this form of solicitation is cost effective, quick and easy for the potential advertiser, efficiently and effectively provides third-party order verification, effectively eliminates potential slamming or cramming issues, complies with and, in many instances, exceeds the United States Federal Trade Commission ("FTC") requirements as established by the agreement that we signed with the FTC in September 2001, and helps ensure our goal of 100% advertiser satisfaction.

The target audience for our direct mail marketing program is every business in America. Currently, according to Acxiom, USA, that list is almost 18 million strong. We generally solicit in this fashion about 1 million businesses per month.

In September 2003, we signed a five-year agreement with CHG Allied, Inc.("CHG"). CHG is a marketer to various types of medical practitioners. We plan to use CHG's database of medical practitioners in our direct mail marketing solicitation efforts. We will pay all printing and other mailing costs associated with this effort. Also, we will additionally pay CHG $0.75 per month per CHG client subscribing and paying for our Preferred Listing service. We will pay such fee for a period of up to 36 months or for the time the CHG subscriber enlists and pays for the Preferred Listing service, whichever is shorter. CHG is affiliated with Vital Living, Inc., a public reporting company involved in the development and marketing of nutritional products to physicians.

As part of a test market, we currently have three full time sales people dedicated to selling our QuickSite service, as well as contacting Advertisers that have expressed interest in an Internet Advertising Package through our partners. We call this our Winback program.

Our sales department is a turnkey operation whereby the representatives are able to sell our QuickSite service, as well as develop the Advertiser's website in-house. Our sales representatives are also able to activate a new IAP for our customers. These representatives have received the same training as our Inbound Customer Service Representatives to ensure they are fully prepared to accommodate Advertiser requests. Once the test market is completed, the actual department will be expanded in our Las Vegas offices.

In order to provide more leads from different sources than our own customer base, we made an arrangement in the fourth quarter of fiscal 2003 with Pike Industries, a/k/a Yellow.com ("Yellow") relating to sales leads that Yellow sends to us and that actually result in new Advertisers signing up for both the IAP and the QuickSite. We will pay Yellow $35 a one- time fee for every such sale's lead that results in an advertiser sign-up for the Company. However, such payment will be made only after the second months' payment by such new advertiser. That fee is earned by Yellow on the second month of billing and there are no refunds to us if they later cancel. However, since we sell this as a bundle with the IAP and QuickSite, we will have obtained $329.80 before any fee is paid to Yellow. This agreement is on a month-to-month basis.

Mailing List Generation. To generate the leads for our mailing list operation, we purchase approximately 12-18 million business directory listings each from three of the largest information providers in the North American market. We refer to each information provider's list of business listings as a data set ("data set"). Our financial performance allows us to purchase business listing data from information providers such as Acxiom, InfoUSA and Experian on a monthly basis. Each data set consists of 12-18 million records with each record composed of several attributes such as company name, address, employment range, phone number, United States Standard Industrial Classification ("SIC") and Standard Yellow Page Heading ("SYHP") codes. While SYPH is proprietary to our information provider Acxiom, we believe our fluency in multiple industrial classifications and the additional cost and effort of acquiring data from several sources gives us a competitive edge over companies that purchase data from only a single provider of information or a provider that does not verify the accuracy of the information for each business listing. We continue to evaluate the accuracy of data provided to us by our information providers and continuously expand our list of information providers as necessary in order to maintain a competitive advantage.

Our agreement with InfoUSA became effective as of July 2002. It was for an initial term of one year with automatic renewal for one year terms unless either party provides 90 days' written notice prior to the end of a term of its intention to terminate. We paid an original license fee of $20,000, plus $6,665.67 for each quarterly update of the data set in the first year and now pay $5,000 per each quarterly update.

Our agreement with Experian became effective as of February 2003. It has an indefinite term until either party notifies the other of its intention to terminate. The only consideration exchanged for the data set was the Company's agreement to perform televerification and data set analysis.

Our agreement with Acxiom became effective as of March 2001. It was for an initial term of two years with automatic renewal for one year terms unless either party provides notice prior to the end of a term of its intention to terminate. There is a $30,000 annual license fee for the data sets under this agreement. Initially we paid $60,000 upon execution of the contract as advance payment for the first two years of license fees.

The technology for generating a mailing list is comprised of a proprietary application and five databases for generating a mailing list of leads. Data is sent to us monthly from each information provider in an electronic format for integration into a database. After data has been refreshed in each provider database, our proprietary application performs a comparison and merge process between data sets. The proprietary algorithm within our application improves the quality of the record by verifying the accuracy of the information for every business listing sent to us. We compare information from each information provider to determine matching records, unique records and the method employed to verify the information for each business listed to gauge the accuracy for each respective information provider.

Technology and Infrastructure

We believe that we have developed technologies to support the timely delivery of information requested by a user of the system. We believe the quality and timeliness of the content is unmatched by any print medium. A staff of senior engineers experienced in large-scale system design and computer operation develops and maintains the technology. We believe we are particularly adept at large-scale database management, design, data modeling, operations and content management. Technology is employed in all aspects of the business. To focus on a quality and timely product, we have divided the technology staff and technology base into a business operations unit and an advanced technologies group dedicated to our directory services product.

In the business operations element of the technology operation, we have developed several cornerstone technologies to support a sophisticated call center, automated billing of customers, customer relationship management and automated mailing campaign.

Billing Operation. Our billing process allows us to deliver high levels of

service to our customers through convenient and timely options. The primary billing method leverages our relationships with Local Exchange Carriers (LECs) and/or Regional Bell Operated Companies (RBOCs), more commonly known to customers as their local phone company. By using this channel, we believe we experience increased collection percentages, reduced chances of internal theft due to direct fund transfers and higher trust

with our customers because our fees ride a pre-existing bill they are already accustomed to receiving. Additionally, we decrease our costs by avoiding the need for a dedicated collections department, utilizing the collection departments of the LECs and greatly reducing the number of paper invoice customers. In cases where this billing method is not available, we offer alternative paper-less billing methods, including recurring credit-card payments and direct bank account withdrawal ("ACH") options.

Internally, the billing process is executed using a two-tier architecture that consists of foundation and business platforms. Our foundation platform is anchored with Microsoft as the primary partner leveraging their SQL Server product line. This alliance aligns us technically with a stable industry standard with proven scaling ability to meet our aggressive growth needs. The option to have multiple processors ensures we will be able to handle our planned customer base growth. System stability is enabled through built-in design features like high availability, simplified database administration and security features. Our business applications tier rests on a program suite that consists of partner provided utilities and our own utilities developed specifically to our billing process. By having light-weight development abilities in-house, we have authority of our application, which allows us greater flexibility, greater security and reduced dependencies on an external entity. These programs also reduce LEC submittal fees by cleaning our customer billing submittals prior to formal submission, and optimizes which provider best suits our needs and maximizes profit potential.

Call Center Operation. We aspire to provide the best customer service in the industry. To aid in that effort, sophisticated call center technologies are employed to support teams dedicated to servicing customer needs, managing the provisioning of new customers and the sale of additional services to existing customers. The call center operation is composed of a high-volume telephone switch to manage the high volume of calls. Call volume is managed using sophisticated applications to manage, distribute and analyze workload across and between call center representatives. Since our call center is staffed six days a week, an automated call attendant is only employed after hours, Sunday or during holidays.

Database Management Systems. At the core of our infrastructure are several high-performance and proprietary database systems containing several terabytes of data or billions of records with hundreds of attributes each, such as business name, phone number, address, number of employees and our unique to the industry 40-word description of the business. We maintain the data for internal operations on thirty-one high performance servers and with large- scale storage systems at our Mesa, Arizona facility that is co-located with our call center operation and technology teams. To meet the demand for our products and services and to provide the highest level of reliability, we employ technologies and techniques providing data redundancy and clustering. Clustering is the use of several computers deployed in a manner to provide redundancy and additional computer processing power.

Site Design and Facilities. The site is implemented as set of fourteen large-scale, high-performance Unix servers with accompanying large-scale storage subsystems that are

organized into layers and groups. Each layer and group provides different functionality across the site. The site is organized to allow the integration of new information and functionality without any interruption of service. To ensure our site is continuously available to our users, the site is housed at environmentally controlled co-location facilities geographically distributed and repeated between three locations in Arizona, Nevada and Florida. The co-location service is provided by XO Communications, a leader and national provider of telecommunications services and facilities. The sites are interconnected by a high-performance, scalable and highly-reliable state of the art fiber data network.

Directory Service and Search Engine. Our directory service is built around four integrated components providing our customers with a visible presence on the Internet and mobile devices such as cellular phones and Personal Digital Assistants.

High-Performance Database and Search Engine. We believe we provide the most complete and high performing directory service in the market today. Our proprietary database enables us to collect and merge data from multiple sources to provide extensive and accurate content for our users. With the release of our xDirectory(TM), YPbroker(TM), YPlookup(TM) and YPmatch(TM) technologies in 2004, we expect to be the first to market real-time search feedback on accuracy, search time, spellchecking, synonym matching, automated content delivery and multiple source data merging in a simple to use paradigm. We believe these technologies will simplify the search process and provide the most relevant content to suit our customers' and User's needs. Ultimately, these technologies are expected to increase recurrent use.

xDirectory(TM) - The platform for our High-Performance Database and Search

Engine - We believe we provide the most complete and high performing directory service in the market today. xDirectory is a proprietary content management system and repository for extensible data merged from multiple sources of North American listing data. While some of our competitors merge data from multiple sources, we believe the scale of their operations and financial performance prohibits the acquisition of data from all of the data providers in the North America. xDirectory also serves as a platform for several proprietary features: real-time search feedback on accuracy, search time, spellchecking, synonym matching, geographical positioning, automated content syndication and the proprietary algorithms to perform listing data match up and merging into a uniquely accurized record.

Extensible Record - Our financial performance, industry focus and market leadership allows us to purchase and merge data from the largest information providers in North America and to merge that data with our extensive in-house customer data set to form the largest and therefore most comprehensive content in the market. This effort provides users of our directory services the greatest number of results per search. With the release of our xDirectory, we will be able to weigh the accuracy of a wide variety of attributes from the source record for inclusion into the merged record. xDirectory's proprietary algorithm for identifying accurate information and removing inaccuracies during the merge process is complemented by our customer service standard of call verifying the

attributes of a given record to obtain a market and industry unique 40-word description of the business.

DirectXML(TM) - The technology supporting our content syndication program and distribution network. DirectXML(TM) integrates between our proprietary content management system and distribution network to deliver up-to-date syndicated content. DirectXML(TM) leverages the XML standard for the definition, interoperability, transmission, validation and interpretation of data between systems and organizations.

Search Engine-to-Search Engine Distribution. We add value by increasing our customer's visibility by providing automated conduits and content delivery to numerous search engines besides our own. We can deliver content both on the Internet and on mobile devices such as cell phones and Personal Digital Assistants. Our market position and volume allows us to provide content to any of our listed partnerships at a cost below what can be accomplished by direct negotiation. We will enhance further the capabilities of this global distribution network with the release of the YPbroker(TM) technology in 2004 by providing high volume automated updates of records at least weekly, and where possible, daily to our distribution partners.

YP.Com. The front end of our directory services and the showcase of our technology and marketing capabilities is our website, YP.Com. The YP.Com website is currently in its fifth generation of development; enhancements are on-going and on a recurring schedule to meet the increased demand for our services and products. The website provides several key and easy to use features: timely information, simple search, search tips, reverse phone number lookup, mapping, and residential and business directory listings.

Internet Advertising Package Technology. The Internet Advertising Package leverages the technologies associated with our YP.Com website, Search Engine distribution network, Directory and Search Engine technologies.

QuickSite Technology. We currently outsource to Vista the technologies supporting our QuickSite product offering. However, when it makes strategic sense to do so, we do have the capability and the capacity to easily convert from a Vista provided turn -key operation to an internally managed solution.

Internet Dial-Up Package Technology. The technology for the Internet Dial Up Package is implemented as a combination of an outsourced service contract for the technologies and communications services with an internally developed and managed User management and access provisioning system. The telephone dial-up communications service will now be provided by Global Pops, a national wholesaler and provider of Internet dial -up access. Access to the dial up service is managed by our customer service team. The customer service team communicates directly with the Advertiser to determine the closest local dial up access number the Advertiser is to use and assists the Advertiser with the appropriate configuration necessary to effect a connection with Global Pops nationwide network. If the user is mobile, we provide an option for nationwide toll free access to Global Pops network. When an Advertiser dials into their

local access number, Global Pops connects with our customer database to authenticate the request for access. Upon successful authentication the Advertiser is granted access to the Global Pops network and to the Internet.

Mailing List Generation. To generate the leads for our mailing list operation, we purchase approximately 12-18 million business directory listings each from three of the largest information providers in the North American market. We refer to each information provider's list of business listings as a data set ("data set"). Our financial performance allows us to purchase business listing data from information providers such as Acxiom, InfoUSA and Experian on a monthly basis. Each data set consist of 12-18 million records with each record composed of several attributes such as company name, address, employment range, phone number, United States Standard Industrial Classification ("SIC") and Standard Yellow Page Heading ("SYHP") codes. The SIC is numeric code established by the federal government to identify the type of business. It qualifies the

industrial or commercial product or service into 99 primary categories, using a two-digit code from 01-99. Similar to SIC, the SYPH is also a numeric code to identify the type of business. SYPH differs by expanding the code to nine digits as opposed to SIC's two digit classification. The additional numeric digits in the code increase the number of classifications significantly to over 75,000 possible types of business. We are fluent in both SIC and SYPH classifications and our products reflect both standards when classifying a type of business by creating a business listing and therefore a lead record that is a composite of SIC and SYPH.

We believe our fluency in multiple industrial classifications and the additional cost and effort of acquiring data from several sources gives us a competitive edge over companies that purchase data from only a single provider of information or a provider that does not verify the accuracy of the information for each business listing. We continue to evaluate the accuracy of data provided to us by our information providers and continuously expand our list of information providers as necessary to maintain a competitive advantage.

We believe the quality of a lead from each information provider's data set cannot be evaluated by business count alone. Other factors including overall quality, duplicates, out of business records and records without phone numbers must be considered. Each information provider verifies the information for each business listing differently, some will attempt to verify information for each business by phone while others will attempt to verify by using a United States Postal Service Certified Address Standardization ("CAS") process for converting addresses to a standard zipcode-4 format required to qualify for lower bulk mailing rates.

The technology for generating a mailing list is comprised of a proprietary application and five databases for generating a mailing list of leads. Data is sent to us monthly from each information provider in an electronic format for integration into a database. After data has been refreshed in each provider database, our proprietary application performs a comparison and merge process between data sets. The proprietary algorithm within our application improves the quality of the record by verifying the accuracy of the

information for every business listing sent to us. We compare information from each information provider to determine matching records, unique records and the method employed to verify the information for each business listed to gauge the accuracy for each respective information provider. A unique record is one that exists only in a single provider's data set. The number of unique records varies from month to month and is one of the reasons we purchase from multiple sources. Following the merge process, our proprietary mailing application employs sophisticated filtering process to determine address accuracy and facilitate the delivery of the solicitation check. An electronic file is finally generated of a list of leads. The generated list is then sent to our publisher with the name of the business, address of the lead and type of business.

Strategic Alliances

In order to service Users more effectively and to extend our brand to other Internet sources, we have entered into strategic relationships with business partners offering content, technology and distribution capabilities.

We have cross-marketing agreements with other Websites. Generally, the nature of these agreements relate to the reciprocal linking of websites without any compensation to either party. We have cross-marketing arrangements with approximately 600 Websites. These agreements allow us to increase the page views for our Advertisers' listings and also provide the Users of certain websites the ability to also achieve additional page views by being listed on our related websites. We believe these arrangements are important to the promotion of YP.Net and YP.Com, particularly among new Internet users who may access the Internet through these other Websites. These co-promotional arrangements typically are terminable at will.

In addition, we have distribution agreements with several websites, including My Area Guides, go2.com, Switchboard Incorporated ("Switchboard"), and Pike Street Industries, a/k/a, Yellow.com ("Pike"), as well as others. These agreements allow us to increase the page views for our Advertisers' listings. We pay My Area Guides, go2.com, Switchboard and Pike, $6,000, $24,000, $20,000 and $20,000 per month, respectively, for such agreements.

Our search engine placement agreement with Overture.Com is on a month-to month basis. Overture.com provides visibility to the Company's website so that we can provide traffic to our Advertisers. By the payment of monthly fees ranging from $15,000 to $20,000 Overture tries to insure that our site will be one of the highest placed sites when Yellow Page searches are done on major search engines such as MSN and Yahoo to name a few.

In fiscal 2003, we signed a license agreement with Palm, Inc. ("Palm") to become a provider of Yellow Page content on hand-held devices, including "personal data assistants," or "PDAs" using the Palm operating system. We will provide this content to Palm through a hypertext link from the Palm operating system to our website. The cost of this agreement was $20,000 up-front for two years, which has been paid. This agreement

is renewable for successive two-year periods unless either party elects to terminate the agreement with no less than 60 days' notice prior to the end of the then-current term. We are currently undergoing the quality assurance process

with Palm before linking with the Palm operating system. This process is expected to be completed on or before March 31, 2004.

We also utilize WebDialogs in a co-promotional effort to provide automatic dialing services to our website Users to allow these Users to place a call to one of our Preferred Listing customers by simply clicking a button. This function powers our click2call feature.

Subsequent to year-end, we signed a letter of intent with SurfNet Media Group, Inc. ("SurfNet"), a digital media distribution technology company. SurfNet is a public reporting company. The letter of intent discusses the parties' intention, upon negotiation and preparation of a definitive agreement, to provide the Company the exclusive right to use SurfNet's patented Metaphor technology in Internet Yellow Pages applications. Such enhancements may include our ability to offer our Internet Advertising customers the opportunity to deliver streaming audio and video from their Mini-WebPage. The parties also plan to execute a more definitive agreement relating to a licensing and/or other business arrangement by March 31, 2004.

We have also managed revenue sharing partnerships with Amazon.com, Buy.com, Stamps.com, Vista.com, EZSitemaster, Inc. and TheWallStreetJournal.com, among others, that allow us to generate revenue by purchases made through the link on our home page. To date, the amount of revenue generated from these partnerships is immaterial, or less than 1%.

Since the founding of our wholly-owned subsidiary, Telco, in 1998 and continued through our acquisition of Telco in June of 1999, we have been members of the Yellow Pages Integrated Media Association ("YPIMA"), the Association of Directory Publishers ("ADP") and the Direct Marketing Association ("DMA"). These organizations are trade associations for Yellow Page publishers or others that promote the quality of published content and advertising methods. One of the primary responsibilities of these organizations and of its members is to promote the growth of legitimate Yellow Page companies that provide real value to their advertisers and to the general public at large, while working to expose those companies that take advantage of consumers. We plan to take an even more active role in fiscal 2004.

Billing

Our billing process allows us to deliver high levels of service to our customers through convenient and timely billing/payment options. Our primary option is to bill our customers on their local telephone bill. A vast majority of our Advertisers are billed in this manner. By way of description, when the Regional Bell Operating Companies ("RBOC's") charge for inclusion in their Yellow Page Directories, they charge the business directly on their monthly business phone bill. This primary billing method

leverages our relationships with the local telephone companies ("LECs") or, as they are sometimes called, RBOCs. By using this billing method, we believe we benefit from increased collection percentages, reduced chances of internal theft due to direct fund transfers and higher trust with our Advertisers because our fees appear on a pre-existing bill they are already accustomed to receiving. Additionally, we believe we decrease our costs by avoiding the need for a dedicated collections department, utilizing the collection departments of the LECs and greatly reducing the number of paper invoice customers. In cases where our primary billing method is not available, we offer alternative paper-less billing methods, including recurring credit-card payments and direct bank account withdrawal ("ACH") options. Our very last option and the least attractive for us is the use of direct bill invoices. We only use direct bill invoices in instances where the customer requests this service, or no other billing method is available.

During the fourth quarter of this fiscal year, we have concentrated on doing business with paying customers as opposed to activated customers. In September 2003, we revised the method by which we count our IAP advertisers. We now differentiate between "paying IAP advertisers" and "activated IAP advertisers." Paying IAP advertisers, as the name implies, are those advertisers that are actually currently paying for the IAP service. The terms activated IAP advertisers or activated advertisers are broader and more inclusive terms. They include those advertisers that are currently paying for the IAP service, as well as those advertisers that either have signed-up for the IAP service but have not yet been billed or have been billed but have not yet remitted to us their fees.

We believe that the new methodology is more accurate and can be more consistently applied to each period. We also believe that tracking and disclosing the numbers of our activated IAP advertisers, in addition to our paying IAP advertisers, provides greater clarity into our business by providing an indication or forecast of how many activated IAP advertisers may eventually become paying IAP advertisers. Our average retention rate for paying IAP advertisers is approximately 29 months, which, in turn, approaches the average operating life expectancy of 36 months for a small business in the U.S., according to the U.S. Small Business Administration.

By enhancing our filtering methods both at the point of marketing and on the billing process, we have been able to reduce the number of duplicate records that we mail and bill to. Additionally by being able to compare records from multiple list vendors, we have been able to have more up-to-date information so that we can remove those businesses that recently closed and add new and additional business information faster. With our changes to our internal controls, we are able to verify, more quickly and accurately which customers' area code has changed or which business has changed their phone number or

closed. All of these improvements have added to the number of paying customers if not to the actual number of activated customers.

Internally, the billing process is executed using a two-tier architecture that consists of foundation and business platforms. Our foundation platform is anchored with Microsoft as the primary partner leveraging their SQL Server product line. This alliance aligns us technically with a stable industry standard with proven scaling ability to meet our

aggressive growth needs. The option to have multiple processors ensures we will be able to handle our planned customer base growth. System stability is enabled through built-in design features like high availability, simplified database administration and security features. Our business applications tier rests on a program suite that consists of partner provided utilities and our own utilities developed specifically to our billing process. By having light-weight development abilities in-house, we have authority of our application, which allows us greater flexibility, greater security and reduced dependencies on an external entity. These programs also reduce LEC submittal fees by cleaning our customer billing submittals prior to formal submission, and optimize which provider best suits our needs and maximizes profit potential.

Billing Service Agreements

In order to bill our Advertisers through their LECs, we are required to use one or more billing service integrators. These integrators have been approved by various LECs to provide billing, collection, and related services through the LECs. We have entered into customer billing service agreements with Integretel, Inc. ("IGT," f/k/a "eBillit" and currently "PaymentOne") and more recently with ACI Communications, Inc., f/k/a OAN Billing, Inc., for these services. Under these agreements, our service providers bill and collect our charges to our Advertisers through LEC billing. These amounts, net of reserves for bad debt, billing adjustments, telephone company fees (3-7% of billings, depending upon the number of records submitted) and billing company fees (approximately 3% of billings), are remitted to us on a monthly basis. Other costs associated with LEC billing Telco or LEC holdbacks and dilution, which ranges from 10-20% of billings. On August 1, 2002, we signed a three-year agreement with PaymentOne. This agreement automatically renews for successive terms of one year each unless either party provides 90 days' written notice of its desire not to renew. Our agreement with ACI Communications is effective through September 1, 2004 and automatically renews for successive one-year periods unless either party notifies the other party in writing at least 90 days prior to the expiration date. Presently, we are primarily billing though these integrators.

As previously mentioned, the Company also has the ability to charge Advertisers by charging their credit card and/or debiting their bank account ("ACH"). We currently execute our credit card charges through IAuthorizer, Inc. and our ACH debits are currently processed through PaymentOne.

Check Processing Agreements

As previously discussed, our primary marketing efforts are through direct mail solicitations. Currently, our direct mail marketing program includes a promotional incentive generally in the form of a $3.50 activation check that a solicited business simply deposits to activate the service and become an Internet Advertising customer on a month by month basis. As a method of third-party verification, the depositing bank, or another third-party verification service provider verifies that the depositing party is in fact the solicited business. Upon notice of activation by a depositing bank, we immediately

contact the business to confirm the order and obtain the information necessary to build their Mini-WebPage. The Company uses two primary service-providers that serve as third-party verification of the Advertisers' order, as well as providing us with the relevant information necessary for us to bill the Advertisers.

For the fiscal year ended September 30, 2003, this third-party verification service was provided by FSMC, a unit of Travelers Express Company, Inc., which is a subsidiary of Viad Corp, a public reporting company, as well as by Bank of the Southwest. There are no written agreements with FSMC or Bank of the Southwest. The Bank of the Southwest has informed us that it plans to outsource its check processing services. As a result, we plan to decrease or eliminate our reliance upon and use of the Bank of the Southwest for this service.

On August 8, 2003, we signed a three-year agreement with Integrated Payment Systems, Inc., a unit of First Data Corporation, a public reporting company, which is expected to replace Bank of the Southwest as a service provider for check processing.

Customer Service

Our customer service department is comprised of four main departments; Inbound, Outbound, Quality Assurance and Administration. Our goal is 100% customer satisfaction. We believe that our goal of providing the best customer service rests with our ability to assist our customers with every need in each and every contact with us. Whether the customer contacts us with billing questions, to order an IAP, QuickSite or IDP or even technical questions or complaints, we strive to satisfy each customer We believe this goal will, over time, set us apart from our competitors, We believe the success of customer service starts

with the support and direction given to all employees. The call center is managed with a ratio of no more than 8 employees to 1 supervisor, with the teams of supervisors and employees remaining constant in order to provide effective on-going development. The supervisors report to a Department Managers who in turn report to the Call Center Manager.

In order for Senior Management to stay informed of employee and customer feedback, bi-weekly meetings and focus groups are held with the Call Center Manager and the employees to obtain and provide feedback. In addition, all Supervisors and Managers attend weekly development training to improve their management skills. In order to provide the best possible experience for our customers and advertisers we begin by hiring and training only those representatives that meet our stringent guidelines. Each Customer Service Representative ("CSR") goes through one week of training with daily coaching following graduation from training. The CSRs are monitored daily by the supervisors, Quality Assurance and management. Calls are documented with call details, strengths, and areas for improvement. The Supervisors and CSRs develop action plans to improve or to continue providing outstanding customer care.

Inbound Call Center. Our call center supports incoming calls from our Advertisers for all of our products. The Inbound customer service representatives are responsible for taking

calls for billing, technical service, and general questions. The customer service representatives are empowered to activate new accounts, adjust accounts with credits, accept payments, change the billing method, and cancel accounts. Our proprietary customer service representative software is tiered in order to limit the actions taken with an Advertiser's account dependant on the employee's position. (See Technology for more information.) If a customer service representative is unable to accommodate the customer's request, a Supervisor is given the call to ensure the customer is satisfied. In addition, requests beyond those a Supervisor can handle are given to a Department Manager or our Quality Assurance group. The customer service representatives have the ability to update Advertiser's accounts, by adding or changing a Mini-WebPage containing the 40 word description, changing hours of operation, changing the business category, and adding the link to the customer's website and email. Once the customer service representative makes the requested changes, the new information will appear on our website the following business day. This ability allows the Advertiser to make timely changes to their listing. The Inbound Customer Care number is generally staffed 6 days a week.

Outbound Calling. In March 2003, our Outbound department met its goal of becoming fully staffed. This center was established to assist our IAP customers to get full benefit for the advertising they had purchased. The Outbound customer service representatives primarily call those Advertisers who recently signed up for our products. They confirm the sale and in the case of an Advertiser who had purchased an IAP they obtain the information to build their Mini-Webpage. Once the Outbound customer service representative speaks with the Advertiser and obtains all the information for the Advertiser's listing, that listing is then sent to our proofreaders. Every listing that is updated is proofread prior to being placed on our site. This additional step ensures that our Advertisers are represented professionally and accurately to their customers. Since our Outbound customer service representatives only call existing or new Advertisers we are not affected by the "National Do Not Call" list recently enacted by the United States Congress.

Quality Assurance. The Quality Assurance group became fully staffed and operational February 3rd, 2003. The goal of the Quality Assurance group is to monitor Inbound and Outbound calls, take escalated calls, perform Customer Satisfaction Surveys, and make test calls into our Customer Care line on a random basis. The Quality Assurance department reports directly to the call center manager to ensure separation from Inbound and Outbound.

In addition to the Quality representatives, we have a Training & Process Development Supervisor that reports to the Quality Assurance manager. The supervisor's responsibility is to produce and distribute training material to the entire call center to ensure consistent information is provided to all departments.

Administration. The purpose of our administration department is to assist our customers with timely feedback when requested through the mail, e-mail or by facsimile. In addition to the customer service representatives answering incoming calls, we have

individuals trained to assist customers via email. Our site and our incoming greeting on the telephone give our customers and our site users our email address. The emails are reviewed daily and generally answered within one business. We have found that many Advertisers prefer to email us with their changes and are very satisfied with our response time and ability to respond to their request. The Administration department receives, sorts, and distributes all incoming and outgoing mail. They are also responsible for filing the hard copies of the cashed incentive checks. All information that is sent to our Advertisers or potential customers that is sent by the call center is routed through the Administration department in order to ensure accurate and consistent information is sent.

Regulation & Self- Regulation

When our Quality Assurance Department was formed, one of its chief goals was to

establish internal self- guidelines so that we could regulate ourselves. Management believes that by being proactive with our employees, we can ensure that our Advertisers, customers, prospective customers and former customers all get treated fairly and according to the law.

In our marketing, we believe that we have in all cases exceeded the requirements set with the United States Federal Trade Commission ("FTC").

Current law requires our solicitations to be understood by a simple majority of reasonable individuals. However, our goal is to create solicitations that are clearly understood by all recipients. Prior to each major revision of any solicitation being printed and distributed, it is reviewed by members of our Quality Assurance Team and Marketing teams. Once approved by the Quality Assurance Team, the draft solicitation must be approved by our internal legal compliance representative and outside legal counsel who assesses the solicitation relative to existing legal compliance requirements, as well as our own high standards of quality control, keeping in mind the goal of widespread comprehension stated above. The solicitation is then sent to the general counsel of the Yellow Pages Integrated Media Association (YPIMA) for a independent third party legal review. This general counsel was chosen by the Company for this review because, in fulfilling his duties for the YPIMA, he deals with the Federal Trade Commission and various State and Local Agencies in overseeing and detecting misleading Yellow Page solicitations. Upon approval at this level, the solicitation is provided to our Billing Integrators, where it must pass their legal review as well. Finally, it is sent to the Local Exchange Carriers' legal departments, which ensure that the solicitation complies with all Federal Communication Commission ("FCC") guidelines as well. The LEC also periodically sends the solicitation to the United States Postal Service for review to be sure it meets their guidelines.

All of our direct marketing sales are verified in writing by the endorsement of the activation check by our new Advertiser, the Advertiser's bank verifies that the correct entity is depositing the check and therefore taking advantage of our offer. Then we send confirmation cards to both the accounting and marketing departments of our new Advertisers. We attempt to contact each new Advertiser to confirm the sale and obtain additional information from them to use to build their Mini-WebPage. Lastly, to ensure

100% customer satisfaction, we offer a 120 cancellation period whereby each new Advertiser has 120 days to try our products and, if not completely delighted, they can cancel and receive a full refund.

The Federal Trade Commission requires us to send a confirmation card to a new Advertiser within 80 days of the deposit of an activation check. However, we have elected to send the card in approximately 30 days or less from the date of deposit.

At almost every point of contact with Advertiser and prospective advertisers, we provide a toll free 800 number through which their questions are answered and they have simple method of cancellation if they are dissatisfied for any reason. The Inbound Customer Care number is generally staffed six days a week.

In order to ensure the accuracy and completeness of the Company's financial information, in May, 2002 the independent members of the Company's Board of Directors engaged the services of Jerrold Pierce, a former Senior Special Agent of the Criminal Investigations Division of the Internal Revenue Service for seven western states. Mr. Pierce performs unannounced inspections of the Company's financial records at least once every quarter. Mr. Pierce reports his findings directly to the independent members of the Board and to the Board in its entirety. To date, Mr. Pierce has found no irregularities in the financial statements under current management.

Due to the rapid growth of Internet communications, laws and regulations relating to the Internet industry have been adopted. Such laws include regulations related to user privacy, pricing, content, taxation, copyrights, distribution, and product and services quality. Concern regarding Internet user privacy has led to the introduction of federal and state legislation to protect Internet user privacy. In addition, the FTC has initiated investigations and hearings regarding Internet user privacy that could result in rules or regulations that could adversely affect our business. As a result, the adoption of new laws or regulations could limit our ability to conduct targeted advertising, or distribute or to collect user information.

Existing laws and regulations or ones that may be enacted in the future could have a material adverse effect on our business. These effects could include substantial liability including fines and criminal penalties, preclusion from offering certain products or services and the prevention or limitation of certain marketing practices. As a result of such changes, our ability to increase our business through Internet usage could also be substantially limited.

Competition

We operate in a highly competitive and rapidly expanding Internet services market, however our primary market sector is business-to-business services, as opposed to a pure technology industry. We compete with online services, website operators, and advertising networks. We also compete with traditional offline media, such as television, radio, traditional Yellow Pages directory publishers and print share advertising. Our

services also compete with many directory website production businesses and Internet information service providers. Our largest competitors are local exchange carriers, or local phone companies, which are generally referred to as LECs also known as local telephone companies. The principal competitive factors of the markets that we compete in include personalization of service, ease and use of directories, quality and responsiveness of search results, availability of quality content, value-added products and services and access to end-users. We compete for advertising listings with the suppliers of Internet navigational and informational services, high-traffic websites, Internet access providers and other media. This competition could result in significantly lower prices for advertising and reductions in advertising revenues. Increased competition could have a material adverse effect on our business.

Many of our competitors have greater capital resources than us. These capital resources could allow our competitors to engage in advertising and other promotional activities that will enhance their brand name recognition at levels we cannot match. The LECs, given their existing local access customers, have brand name recognition and access to potential customers.

We believe that we are in a position to successfully compete in these markets due to the lack of material debt on our books, our recent ability to produce significant cash and the effectiveness of our direct mail marketing program. We further believe that we can compete effectively by continuing to provide quality services at competitive prices and by actively developing new products for customers.

We believe that our Outbound Calling Center, which is utilized to obtain the information necessary to build the Mini-WebPages, is a competitive advantage. The information garnered is not available from any other single source and is unique to our website. We believe it allows Users to have readily available information that is easy to understand and from which they can make their buying decisions. Because of the brevity of the Mini-WebPage information it is easily assessable by Users on their mobile phones and other hand-held devices. We believe that our receipt of over 160,000 updates means that our site contains more useful information than our competitors and that over time Users will find our site more useful than competitor sites. We further believe that this, in turn, will translate into more page views and Advertisers.

Employees

As of December 26, 2003, we do not have any employees. However, we do have 119 full time and four part- time independent contractors engaged either directly by the Company, through employee leasing or through temporary help agencies. Such team members are not covered by any collective bargaining agreements, and we believe our relations with our team members are good.

Company History

We were originally incorporated as a New Mexico company in 1969 and the Company was re-incorporated in Nevada in 1996 as Renaissance Center, Inc. Our Articles of Incorporation were restated in July 1997 and our name was changed to Renaissance International Group, Ltd. Effective July 1998, we changed our name to RIGL Corporation. In June 1999, we acquired Telco Billing, Inc. ("Telco") and commenced our current operations through this wholly-owned subsidiary. In October 1999, we amended our Articles of Incorporation to change our corporate name to YP.Net, Inc. to better identify our company with our current business focus.

From August through December 1999, we abandoned all subsidiaries previously involved in the multi-media software and medical billing and practice management areas. With the acquisition of Telco, our business focus shifted to the Internet Yellow Page services business and this business is currently our main source of revenue. Telco is operated as our wholly owned subsidiary.

ITEM 2. DESCRIPTION OF PROPERTY

During fiscal 2002, we renewed our long-term operating lease with Art Grandlich d/b/a McKellips Corporate Square on the 16,772 square foot corporate office that is located in Mesa, Arizona for approximately $120,000 annually. This lease expires in June 2006. This facility contains our customer service call center, as well as certain administrative resources.

In October 2003, our wholly owned subsidiary, Telco, signed a three-year lease with Tomorrow 33 Convention, LP on a facility in Las Vegas, Nevada consisting of annual lease payments of approximately $201,000. This facility is approximately 3,500 square feet and is our corporate headquarters and the primary operating facility of Telco. The lease is an operating lease for accounting purposes. This location will shortly replace Telco's facility in Boulder City, Nevada. This space was necessary to accommodate Telco's expanding sales and accounting staff.

We believe that these facilities are adequate for our current and anticipated future needs. Management further believes that both of these facilities and their contents are adequately covered by insurance.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock

Our common stock trades publicly on the OTC Bulletin Board under the symbol "YPNT."

The following table sets forth the quarterly high and low bid prices per share of our common stock by the National Quotation Bureau during the last two fiscal years. The quotes represent inter-dealer quotations, without adjustment for retail mark-up, markdown or commission and may not represent actual transactions.

<TABLE>
<CAPTION>

FISCAL YEAR	QUARTER ENDED	HIGH	LOW
<C>	<S>	<C>	<C>
2002	December 31, 2001	$0.23	$0.06
	March 31, 2002	$0.37	$0.12
	June 30, 2002	$0.20	$0.05
	September 30, 2002	$0.11	$0.05
2003	December 31, 2002	$0.13	$0.04
	March 31, 2003	$0.24	$0.08
	June 30, 2003	$1.25	$0.14
	September 30, 2003	$2.41	$0.56

</TABLE>

Holders of Record

On December 26, 2003, there were approximately 425 shareholders of record of our common stock according to our transfer agent. The Company has no record of the number of shareholders who hold their stock in "street" name with various brokers.

Dividend Policy

We have one class of outstanding preferred stock (Series E Preferred Stock), of which there are currently, 131,840 shares issued and outstanding. Each share of Series E Preferred Stock is entitled to and receives a dividend of $0.015 per year, payable in quarterly installments of $0.00375.

To date, we have not paid cash dividends on our common stock. However, subsequent to year end and during the quarter ending December 31, 2003 , we entered into an agreement with two of our significant shareholders, Morris & Miller, Ltd and Mathew and Markson, Ltd., whereby we agreed, subject to applicable laws, to declare and pay a cash dividend of at least $.01 per share to all of our common stock shareholders within 60 days of the end of each fiscal quarter commencing no later than April 30th, 2004 for our fiscal quarter ended March 31, 2004, and for each fiscal quarter thereafter based on the record date announced by our Board of Directors.

Sales of Unregistered Securities

During fiscal 2003, we issued the following shares as payment for legal services. These shares were issued to the following attorneys relating to the favorable resolution of several legal proceedings whereby the Company was the Plaintiff in recovering shares

from various consultants who did not provide the agreed-upon services. The issuances of these shares were exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) of that act as a transaction not involving a public offering. This exemption was available in connection with the issuances because (i) the shares were issued only to persons or parties who the Company believed were "accredited investors" within the meaning of Regulation D under that act; (ii) no form of general solicitation or general advertising was used in connection with the transactions; and (iii) the parties receiving the shares had access to complete information concerning our company, acquired the shares for investment and not with a view to the distribution thereof, and otherwise were not underwriters within the meaning of Section 2(11) of the Securities Act. There were no underwriters involved in these transactions.

<TABLE>
<CAPTION>

Date	Recipient	Total Shares	Value
<S>	<C>	<C>	<C>
June 16, 2003	Peter Strojnik	261,750	$183,225
May 1, 2002 .	Dwight Flickeng	176,896	22,996
May 1, 2002 .	Kevin Flickenge	75,813	9,856
May 1, 2002 .	Joseph McDaniel	191,219	24,858

</TABLE>

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the fiscal year ended September 30, 2003, this "Management's Discussion and Analysis" should be read in conjunction with the Consolidated Financial Statements, including the

related notes, appearing in Item 7 of this Annual Report.

Forward-Looking Statements

This portion of this Annual Report on Form 10-KSB, includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this portion of the Annual Report include, but are not limited to: (i) our expectation that legal costs relating to the litigation involving our CEO will not be significant after December 31, 2003; (ii) our projection that capital expenditures will not increase at the same rate in the future; (iii) our anticipation of the cessation of advances to affiliates and the beginning to pay a cash dividend on our common stock in fiscal 2004; (iv) our belief that our direct mail marketing costs in fiscal 2004 will be consistent with our expenditures in fiscal 2003; and (v) our expectation that initial costs incurred in our branding initiative will not immediately result in financial benefit to the Company.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from

those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in the section below titled "Certain Risk Factors Affecting Our Business," as well as other factors that we are currently unable to identify or quantify, but may exist in the future.

In addition, the foregoing factors may affect generally our business, results of operations and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

Executive Overview

Business Summary

We use a business model similar to print Yellow Page publishers. We publish basic directory listings, free of charge, exclusively on the Internet. Like Yellow Page publishers, we generate virtually all of our revenues from those advertisers that desire increased exposure for their businesses by purchasing our Internet Advertising Package, or IAP. Our basic listings contain the business name, address and phone number for almost 18 million U.S. businesses. We strive to maintain a listing for almost every business in America in this format.

To generate revenues, certain advertisers pay us a monthly fee for our IAP in the same manner that advertisers pay additional fees to traditional print Yellow Page providers for enhanced advertisement font, location or display. The IAP includes a Mini-Webpage, map directions, a toll-free calling feature, a link to the advertiser's own webpage and, at no additional charge, a priority or preferred placement on our website. The users of our website(s) are prospective customers for our advertisers.

We also offer other ancillary services and products that currently account for less than 5% of our revenue. These ancillary services and products include website design and hosting, and dial-up Internet access.

Sales and Marketing

We employ a direct mail marketing program to solicit our IAP advertisers. Currently, our direct mail marketing program includes a promotional incentive in the form of a $3.25 activation check that a solicited business simply deposits with its bank to activate the service and become an IAP advertiser on a monthly basis. As a method of third-party verification, the potential IAP advertiser's bank verifies that the depositing party is in fact the solicited business. Upon notice of activation by the IAP advertiser's bank, we contact the business to confirm the order. Within 30 days of activation, we also send a confirmation card to the business. We offer a cancellation period of 120 days with a full refund. Our direct mail marketing program complies with and, in many instances,

exceeds the United States Federal Trade Commission, or "FTC," requirements as established by an agreement between our company and the FTC.

IAP advertisers

In September 2003, we revised the method by which we count our IAP advertisers. We now differentiate between "paying IAP advertisers" and "activated IAP advertisers." Paying IAP advertisers, as the name implies, are those advertisers that are actually currently paying for the IAP service. The terms activated IAP advertisers or activated advertisers are broader and more inclusive terms. They include those advertisers that currently are paying for the IAP service, as well as those advertisers that either have signed-up for the IAP service but have not yet been billed or have been billed but have not yet remitted to us their fees.

We believe that the new methodology is more accurate and can be more

consistently applied to each period. We also believe that tracking and disclosing the numbers of our activated IAP advertisers, in addition to our paying IAP advertisers, provides greater clarity into our business by providing an indication or forecast of how many activated IAP advertisers may eventually become paying IAP advertisers. Our average retention rate for paying IAP advertisers is approximately 29 months, which, in turn, approaches the average operating life expectancy of 36 months for a small business in the U.S., according to the U.S. Small Business Administration.

Methods of Billing

We bill most of our IAP advertisers on their local telephone bill through their Local Exchange Carrier, or "LEC." We are one of only a few independent Internet advertisers that are permitted to utilize this unique and cost-efficient method of billing. By billing our IAP advertisers on their local telephone bill, we believe we are able to realize a greater average rate of collection than direct invoice-billing. The amount and frequency of collections on invoice-billed IAP advertisers historically has been significantly lower than for IAP advertisers billed on their monthly telephone bill. Accordingly, our revenues can be negatively impacted if the billing method used to bill a IAP advertiser converts from monthly telephone bill invoicing to direct invoicing.

We are not permitted to bill our IAP advertisers through Competitive Local Exchange Carriers, or CLECs. Recently, the CLEC's have been participating in providing local telephone services to IAP advertisers at an increasing rate. We have begun to address this problem and we are implementing data filters to reduce the effects of the CLEC's. We have also sought other billing methods to reduce the adverse effects of the CLEC billings, including Automated Clearing House, or ACH, which is direct debit from the IAP advertiser's bank account and credit cards. ACH billing now accounts for approximately 12% of our total billings and has reduced our dependency on LEC billing. We expect this trend to continue and escalate.

Accounting Policies and Procedures

We bill our services monthly and recognize revenue for services billed in that month. We utilize outside billing companies, or billing aggregators, to transmit billing data, much of which is forwarded to the LECs for inclusion on the IAP advertiser's monthly local telephone bill. Because we have a 120-day cancellation policy on new advertiser sign-ups, we accrue for such refunds as a liability and net such anticipated refunds against revenue to report a net revenue number in our financial statements.

The billing aggregators and, subsequently, the LECs filter all billings that we submit to them. We recognize as revenue and accounts receivable the net billings accepted by the LECs. The billing aggregators remit payments to us on the basis of cash that the billing aggregators ultimately receive from the LECs. The billing aggregators and LECs charge fees for their services, which generally are 3% to 7% each on a monthly basis. These fees, in turn, are netted against the gross accounts receivable balance. The billing aggregators and LECs also apply holdbacks to the remittances for potentially uncollectible accounts. These holdbacks and fees result in significant dilution to our gross billings and, therefore, may significantly affect our cash flow.

Due to the periods of time for which adjustments may be reported by the LECs and the billing aggregators, we estimate and accrue for dilution and fees reported subsequent to year-end for initial billings related to services provided for periods within the fiscal year. Dilution amounts will vary due to numerous factors. Accordingly, we may not be certain as to the actual amounts of dilution on any specific billing submittal until several months after that submittal. We estimate the amount of these fees and holdbacks based on historical experience and subsequent information received from the billing aggregators. We also estimate uncollectible account balances and provide an allowance for such estimates.

We process our billings through two primary billing aggregators-PaymentOne, Inc. and ACI Communications, Inc. PaymentOne provides the majority of our billings, collections, and related services.

With respect to our alternative billing methods, we recognize revenue for ACH billings when they are accepted. We recognize revenue for direct-invoice billings based on estimated future collections on such billings. We continuously review these estimates for reasonableness based on our collection experience.

Subscription receivables that result from direct-invoice billing are valued and reported at the estimated future collection amount. Determining the expected collections requires an estimation of both uncollectible accounts and refunds.

Our cost of services is comprised, primarily, of variable costs and expenses, including the following, which are reported in both cost of services and sales and marketing expenses:

- allowances for bad debt, which are based upon historical experience and reevaluated monthly;

- billing fees, such as the fees charged by our billing aggregators and the Local Exchange Carriers;

- billing aggregator inquiry fees, which generally are 1% on a monthly

basis;

- dilution resulting from fees and holdbacks due to items such as wrong telephone numbers and other indications of uncollectibility;

- Internet expenses, such as dial-up expenses; and

- direct mailer marketing costs and the amortization of such costs.

Our general and administrative expenses are comprised, primarily, of fixed costs, including compensation expenses, which generally equate to 5% to 10% of net revenue, as well as other expenses, such as lease payments, telephone, professional fees, and office supplies. We recognize revenue for direct-invoice billings based on estimated future collections on such billings. We continuously review these estimates for reasonableness based on our collection experience.

Critical Accounting Estimates and Assumptions

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management's initial estimates as reported. A summary of our significant accounting policies are detailed in the notes to the financial statements which are an integral component of this filing.

The following summarizes critical estimates made by management in the preparation of the financial statements:

- REVENUE RECOGNITION:

Our revenue is generated by customer subscriptions for directory and advertising services. Our billing and collection procedures include significant involvement of outside parties. We obtain customers through direct mail advertising. When a customer subscribes to our service we create an electronic customer file, which is the basis for the billing. We submit gross billings electronically to third party billing aggregators. These billing aggregators compile and format the information submitted to us and forward the billing records to appropriate LECs. The billing for our service flows through to monthly bills of the individual LEC customers. The LECs collect our billing and remit amounts to the billing aggregators who in turn remit funds to us. Within this process, there are numerous adjustments, charges and holdbacks implemented by the billing aggregators and LEC's.

- Customer refunds. We have a customer refund policy that allows the customer to request a refund if they are not satisfied with the service within the first 120 days of the subscription. We accrue for refunds based on historical experience of refunds as a percentage of new billings in that 120-day period. Estimated refunds are reserved and charged to net revenue.

  Additionally, there are customers who may not pay the fee for our services even though we believe they are valid subscribers. We review the trend of non-paying customers and include a reserve as a charge to revenue for estimated non-paying customers.

- Unbillable records. We recognize revenue during the month for which the service is provided based on net billings accepted by the billing aggregators. The billing aggregators may reject and return billing records to us if there is no immediate match in their database as a valid "Billing Telephone Number" ("BTN"). We analyze the trend of accepted vs. rejected billing records. Only accepted records are recognized as revenue. We then analyze the reasons for a record being rejected and then attempt to correct the record for resubmittal. Because there may be a period of 30-60 days to obtain information from the billing aggregators that identify BTNs, we estimate that amount when billed and those billings are excluded from revenue.

- Direct bill customers. We bill many subscribers directly. Our collection rate on these billings is significantly lower than those processed through the LECs. We track collections on direct billed customers and recognize revenue from those customers based on the historical collection rates. Our recent collection experience on these billings is approximately 10% to 12%.

- Dilution and Related Reserves. We reserve for future fees, chargebacks and holdbacks charged by the LECs and third party billing aggregators that are related. Because there may be a period of time from when the billings are initiated and fees and holdbacks are adjusted and processed by the billing aggregators, we estimate those fees based on contractual agreements with the billing aggregators and historical experience. Fees and expenses charged by the LECs and billing aggregators are charged to cost of services and netted against gross

accounts receivable. Total dilution has approximated 25% to 30% of gross billings.

- ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Cash is received through the process discussed above. We have contractual advance rates with our third party billing aggregators. The billing aggregators report to us their holdbacks. These holdbacks include those submitted by the LECs. Some of these holdbacks may take 12-18 months to collect and "true-up" with the billing aggregators. We estimate an allowance for doubtful accounts on the basis of information provided by the billing aggregators. This information is an indicator of timely payments

made by our subscribers. At September 30, 2003, the allowance for doubtful accounts was approximately 30% of gross accounts receivable.

- CARRYING VALUE OF INTELLECTUAL PROPERTY:

The carrying value of our intellectual property at September 30, 2003, relates primarily to the purchase of the Yellow-Page.Net Universal Resource Locator ("URL") from Telco Billing. The URL is recorded at its $5,000,000 purchase price less accumulated amortization of $1,820,517. We have estimated the useful life of this asset to be 20 years.

We believe that based on our current income and cash flow, the carrying value of the URL is not impaired at September 30, 2003. We believe our customers use this URL for maintaining their subscriptions to the Company's service. The Company has had an unaffiliated, independent third party appraiser perform a valuation of the URL. That valuation also supports the conclusion that the value is not impaired at September 30, 2003.

- CAPITALIZATION OF DIRECT RESPONSE ADVERTISING COSTS AND AMORTIZATION THEREOF:

The Company purchases mailing lists and sends advertising materials to prospective subscribers from those mailing lists. Customers subscribe to the services by positively responding to those advertising materials, which serve as the contract for the subscription. The Company capitalizes and amortizes the costs of direct-response advertising on a straight-line basis over eighteen months, the estimated average period of retention for new customers. We believe that when a customer is retained through the 120-day refund period, long term retention is longer than the 18 month amortization period. However, due to attrition in the first months of a new subscription, the amortization period has been determined to be 18 months. The carrying value of $3,243,241 includes the gross cost of approximately $6,157,017 less amortization of $2,913,776.

- INCOME TAXES:

Management evaluates the probability of the utilization of the deferred income tax assets. The Company has estimated a $1,373,000 deferred income tax asset at September 30, 2003. Of that amount, $979,000 related to net operating loss carryforwards at September 30, 2003. Management determined that because the Company has been generating taxable income it was appropriate to recognize the deferred income tax asset related to the net operating loss carryforward. Management is required to make judgments and estimates related to the timing and utilization of net operating loss carryforwards, utilization of other deferred income tax assets, applicable tax rates and feasible tax planning strategies.

Future Outlook

We expect to make progress on a number of initiatives over the next six to twelve months, including the following:

- attempt to get listed on a national exchange or quotation system;

- add additional independent directors to our Board of Directors;

- establish an audit committee that fully complies with the requirements of Sarbanes-Oxley and the exchanges;

- engage a national auditing firm;

- obtain broader, more sophisticated and more reliable research coverage; and

- roll out our national branding campaign through various mediums of advertisement, including, Internet, billboard, radio and cable television in select markets to be determined. We have recently engaged a marketing firm. We expect to use approximately $2,000,000 on this campaign over the next 18 months. This may have a negative impact on our margins. However, to mitigate any adverse impact, management intends to attempt to incur these expenses gradually to be commensurate with anticipated increases in revenues resulting from the branding campaign.

Recent Developments

Litigation by others against our Chairman and CEO

By order of the Board of Directors, we have been funding the litigation defense of our Chairman and CEO, Angelo Tullo, as it related to claims made by New Horizon Capital, LLC ("New Horizon"), the successor in interest to American Business Funding Corp. These claims were not adverse to the Company. However, the Board of Directors determined that clearing Mr. Tullo's name was important to our future success because of the results he has achieved on behalf of our investors.

In December 2003, New Horizon agreed to have the litigation against Mr. Tullo dismissed. New Horizon was ordered by the judge to pay, and has paid, $10,000 to Mr. Tullo's lawyers as compensation for certain expert witness fees that were to be paid by Mr. Tullo.

We will finish paying for the expenses relative to this case in the second quarter of fiscal 2004 and no further significant expenses are expected to be incurred after December 31, 2003.

Termination of the Revolving Loan Agreements With Our Major Shareholders-Mathew and Markson and Morris & Miller, LTD ("M&M's")

As part of the original acquisition of our subsidiary, Telco Billing, from the M&Ms, we provided them with the right to "put" back to us their shares of Company common stock under certain circumstances. We subsequently entered into a new arrangement with the M&Ms, whereby their "put" rights were terminated in exchange for the establishment of revolving lines of credit. Under these lines of credit, we agreed to lend up to $10 million to each of the M&Ms, subject to certain limitations.

In December 2003, we entered into an agreement with the M&M's to terminate the revolving lines of credit previously provided to them. Under this termination agreement, which is effective as of April 9, 2004, we are to make final advancements to the M&Ms of approximately $1,300,000. The aggregate of all advances made by the Company to these shareholders is to be repaid to the Company at the end of three years, along with accrued interest.

The schedule of final advances that we are to make to the M&Ms under the termination agreement are as follows:

Morris & Miller, Ltd.

$275,000 on January 30, 2004
$300,000 on February 27, 2004
$500,000 on March 31, 2004
Sufficient funds to pay 3 years interest on April 9, 2004

Mathew and Markson, Ltd.

$50,000 on January 30, 2004
$100,000 on February 27, 2004
$75,000 on March 31, 2004
Sufficient funds to pay 3 years interest on April 9, 2004

Within ten days after April 9, 2004, the M&M's will prepay all of the interest on their loans for the next 36 months. We will continue to retain pledged stock as collateral for the repayment of all such loans, which, by agreement, mature December 2006.

As part of this new agreement, we have also agreed to pay a quarterly dividend of not less than $.01 per share beginning April 30, 2004 for the period ended March 31, 2004. We believe this is in the best interests of all of our shareholders.

Termination of Our Relationship with Simple.Net.

On December 29, 2003, we entered into a separation agreement with Simple.Net, a company beneficially owned by our Director and Corporate Secretary DeVal Johnson, which becomes effective January 31, 2004.

Prior to this agreement, we purchased Internet Dial Up access from Simple.net and performed various services for Simple.Net for a fee. These services included Customer Service support for Simple.Net's customers and Technology Support and Billing assistance. At the time the contract(s) were entered into, this was beneficial to us because we did not have sufficient dial-up customers to avoid a minimum fee to the backbone providers, which are companies that own the cable and copper wire cables necessary to provide the service. As our customer base has grown, we are now able to economically enter into our own wholesale contract and in fact have with GlobalPOPs.

In addition, at this time, our revenues from the customer support and technology assistance was essentially the same as that currently paid to Simple.Net to provide the dial up service. We will not be affected by the loss in revenue from Simple.Net as the new contract from GlobalPOPs, which now has no minimum guarantees, is low enough to offset the difference.

Results of Operations

Fiscal Year End September 30, 2003 Compared to Fiscal Year End September 30,2002.

Net revenue for the year ended September 30, 2003 ("Fiscal 2003") was $30,767,444 compared to $12,618,126 for the year ended September 30, 2002 ("Fiscal 2002") representing an increase of approximately 144%. This increase in net revenue is the result of three factors: an increase in the number of our IAP Advertisers, the conversion of certain Advertisers from direct bill invoice to monthly telephone billing and an increase in our monthly pricing. These three factors are discussed further below.

Our IAP Advertiser count increased to 255,376 at September 30, 2003 compared to 113,565 at September 30, 2002, an increase of approximately 125%. Relating to the conversion of certain Advertisers to monthly telephone billing, in August, 2003, we analyzed our database of IAP Advertisers that were being billed via direct monthly invoice to determine which of these Advertisers were eligible to be billed on their monthly telephone bill. As a result of this analysis, we determined that 46,717 Advertisers were eligible for monthly telephone billing. As previously described under "Billing" and in the Financial Statement footnotes, our revenue recognition and collections are significantly higher when Advertisers are billed on their monthly telephone bills rather than through direct invoice. Relating to our price increase, we now

charge $21.95 monthly versus $17.95 previously for new IAP Advertisers. In addition, the monthly charge to existing IAP Advertisers was increased to $24.95 monthly upon the first anniversary of their listing. This price increase was instituted on March 20, 2003.

We recently revised the method by which we count our customers. We believe that the new methodology is more accurate and can be more consistently applied to each period. We believe that the disclosure of customer counts including total Activated customers and paying customers provides the most insight into our business.

Activated customers include those Advertisers that are currently paying for the IAP service, as well as those Advertisers that have signed-up for the IAP service but have not necessarily been billed and begun their payment for the service. Based upon these revisions, we had 255,376 Activated IAP customers at September 30, 2003, 235,162 Activated IAP customers at June 30, 2003, 222,092, Activated IAP customers at March 31, 2003 and 168,980 Activated IAP customers at December 31, 2002.

Regarding Paying customers, the Company had 221,537 Paying customers at September 31, 2003, 167,000 Paying customers at June 30, 2003, 151,173 paying customers at March 31, 2003 and 137,346 Paying customers at December 31, 2002.

Cost of services for Fiscal 2003 was $8,357,768 compared to $3,497,678, an increase of 139%. The increase in cost of services is due to the increased IAP customer count, as well as the increase in our direct mail solicitation effort whereby we are currently mailing, on average, approximately 1 million mailers to businesses each month. Cost of services as a percent of net revenue was approximately 27% for Fiscal 2003 compared to 28% for Fiscal 2002. Gross margins improved to 73% in Fiscal 2003 compared to 72% in Fiscal 2002. The improvement in gross margin results from the leveraging of certain fixed costs, included in cost of services, over a larger customer base.

General and administrative expenses for Fiscal 2003 were $8,657,690 compared to $4,754,665 for Fiscal 2002, an increase of approximately 82%. General and administrative expenses increased due to an increase in costs and employees relating to our previously-described growth in IAP Advertisers, the establishment in Fiscal 2003 of our Quality Assurance and Outbound departments as well as an increase in certain officers' compensation relating to employment contracts with such officers. In addition, during Fiscal 2003, the Company paid $410,054 for the costs of defending a civil action filed against its CEO and Chairman pursuant to a Board of Directors resolution. The action involved a business in which the CEO was formerly involved. The Board believed that it was important and in our best interests and in the best interests of our shareholders to resolve this matter as soon as possible. As described under "Recent Developments," this matter has now been resolved and we no longer expect to incur significant legal costs after December 31, 2003 relating to this matter. Excluding the previously described legal costs, general and administrative expenses increased approximately 67% in Fiscal 2003 over Fiscal 2003. As a percent of net revenue, general and administrative expenses were approximately 28% in Fiscal 2003 compared to approximately 38 % in Fiscal 2002. Excluding the previously-described legal costs, general and administrative expenses as a

percent of net revenue was approximately 26% in Fiscal 2003 compared to 38% in Fiscal 2002.

Sales and marketing expenses for Fiscal 2003 were $3,868,643 compared to $963,868 for Fiscal 2002, an increase of approximately 300%. The increase was principally the result of our re-instituting our marketing efforts in the latter part of Fiscal 2002 with the full annual cost of such effort in Fiscal 2003. The marketing expenses are attributed to our direct response marketing, which is our primary source of attracting new Advertisers. As a percent of net revenue, sales and marketing expense was approximately 13% in Fiscal 2003 versus approximately 8% in Fiscal 2002.

Depreciation and amortization was $660,475 in Fiscal 2003 compared to $581,290 in Fiscal 2002, an increase of approximately 14%. This increase was primarily

the result of a substantial upgrade of our information technology systems as well as hardware purchased relating to the establishment of our Quality Assurance and Outbound marketing departments. These efforts involved capital expenditures of $736,955 in Fiscal 2003 compared to 77,632 in Fiscal 2002. We do not anticipate capital expenditures to grow at this same rate in the future. In addition, amortization increased in Fiscal 2003 as a result of our agreement with OnRamp Access, Inc. to license the YP.Com Uniform Resource Locator ("URL").

The cost of the Yellow-Page.Net URL was capitalized at its cost of $5,000,000. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was $351,933 for the year ended September 30, 2003. Annual amortization expense in future years related to this URL is anticipated to be approximately $350,000-450,000.

Operating income in Fiscal 2003 was $9,222,868 compared to $2,820,625 in fiscal 2002 representing an increase of approximately 227%. As a percent of net revenue, operating income was approximately 30 % in Fiscal 2003 versus approximately 22% in Fiscal 2002. The increase in operating income resulted from the previously mentioned increases in net revenue as well as the leveraging of part of our fixed costs, included in cost of services and general and administrative expenses, over a larger customer base

Interest expense for Fiscal 2003 was $19,728 compared to $92,341 for Fiscal 2002. The decrease in interest expense was a result of decreased debt due to the repayment of approximately $800,000 of debt in Fiscal 2002.

Interest income was $108,995 in Fiscal 2003 compared to $17,682 in Fiscal 2002 resulting from our increased profitability and cash.

Other expense (income) was a net of $648,908 in income in Fiscal 2003 versus $704,523 of income in Fiscal 2002. In Fiscal 2003, other expense (income) consists of other income of $1,039,521 offset by other expense of $390,612 resulting in net other income of $648,908 In Fiscal 2002, other expense/(income) consists of other income of $704,523. The primary components of other income of $1,039,521 in Fiscal 2003 and

$740,523 in Fiscal 2002, respectively, are technical and service income from Simple.net ($618,612 and $300,900, respectively) and gains related to stock settlements due to favorable outcomes in these settlements ($357,906 and $395,772,respectively). The primary components of other expense of $390,612 in Fiscal 2003 are legal expenses incurred relating to stock settlements of $240,935.

Income before income taxes was $9,961,043 in Fiscal 2003 and $3,450,489 in Fiscal 2002, representing an increase of approximately 189%. As a percent of net revenue, income before income taxes was 32% in Fiscal 2003 compared to 27% in Fiscal 2002.

The income tax provision was $2,037,152 in Fiscal 2003 compared to an income tax benefit of $245,974 in Fiscal 2002. The increase in the income tax provision is the result of our increased profitability in Fiscal 2003 offset by the use of our net operating loss carryforwards. During Fiscal 2003 and 2002, our structured certain transactions related to its merger with Telco that allowed the Company to utilize net operating losses that were previously believed to be unavailable or limited under the change of control rules of Internal Revenue Code 382.

Net income for Fiscal 2003 was $7,923,891, or $0.18 per share, compared to $3,696,463 or $0.09 per share for Fiscal 2002, an increase in net profit of approximately 114% despite a much higher tax provision in Fiscal 2003. The increase in net income resulted from the increased IAP Advertiser count and associated revenue cited above with a less than corresponding increase in expenses cited above offset by the greater tax provision in Fiscal 2003. Net profit as a percent of revenue decreased to approximately 26% in Fiscal 2003 from 29%% in Fiscal 2002 due to the Company increased tax provision in Fiscal 2003 compared to Fiscal 2002 as well as the previously-mentioned legal costs.

Liquidity and Capital Resources

Our cash balance increased to $2,378,848 for Fiscal 2003 from $767,108 for Fiscal 2002. We funded working capital requirements primarily from cash generated from operating activities and utilized cash in investing activities and financing activities.

Operating Activities. Cash provided by operating activities was $4,762,238 for Fiscal 2003 compared to $1,158,015 for Fiscal 2002. The principal source of our operations revenue is from sales of Internet Yellow Page advertising. The increase in cash provided from operations resulted from an increase in net profit offset by an increase in our accounts receivable, deferred income taxes and customer acquisition costs which also increased as a result of our increased profitability and the continuation of our direct mail marketing solicitation effort.

Investing Activities. Cash used by investing activities was $2,798,500 for Fiscal 2003 compared to $244,077 for Fiscal 2002. Advances to affiliates increased to $1,893,131 in Fiscal 2003 compared to $116,757 in Fiscal 2002. As described under "Recent Developments," advances to affiliates are expected to cease in Fiscal 2004. We intend to institute a quarterly $0.01 per share dividend on our common stock at that time. In Fiscal

2003, we purchased $736,955 of equipment compared to $77,632 in Fiscal 2002. Increased computer purchases in Fiscal 2003 resulted from the previously described upgrade to our information technology systems as well as the establishment of our Quality Assurance and Outbound efforts. We do expect capital expenditures to increase at this same growth rate in the future. Expenditures for intellectual property increased to $261,545 in Fiscal 2003 compared to $49,688 in Fiscal 2002. This increase primarily resulted from the licensing of the YP.Com URL from OnRamp Access, Inc.

Financing Activities. Cash flows used from financing activities were $351,998 for Fiscal 2003 compared to $830,677 for Fiscal 2002. Regarding debt proceeds, we borrowed $378,169 in Fiscal 2003 from two credit facilities. These credit facilities are maintained primarily for safety and security back-up purposes as our cash flow is generally more than sufficient to maintain and grow the business. In Fiscal 2003, we established a Trade Acceptance Draft program with Actrade Financial Technologies ("Actrade"), which enables us to borrow up to $150,000. A trade acceptance draft ("TAD") is a draft signed by us and made payable to the order of a vendor providing us services. AcTrade provides payment to the vendor and collects from us the amount advanced to the vendor (plus interest) under extended payment terms, generally 30, 60 or 90 days. When used, we pay a rate of one percent per month of the amount of the TAD. There is no term to the agreement with Actrade and either party may terminate the agreement at any time.

We understand that AcTrade is currently in Chapter 11 bankruptcy. Therefore, the availability of this facility is uncertain. During Fiscal 2003, we signed an unsecured credit facility of $250,000 with Bank of the Southwest. The facility is for one year and interest on borrowings, if any, will be an interest rate of 0.5% above the Prime Rate, as defined. During recent discussions with the Bank of the Southwest, it was indicated to us that this credit facility will not be renewed as a result of their desire to focus on relationships with private rather than public companies. In Fiscal 2004, we expect to pursue other credit facilities to replace the aforementioned credit facilities.

We incurred debt in the acquisition of the license right to the Yellow-Page.Net URL. A total of $4,000,000 was borrowed, $2,000,000 from Joseph and Helen Van Sickle, $1,000,000 from our shareholders and $2,000,000 as a Note from Mathew & Markson Ltd. We had dedicated payments in the amount of $100,000 per month for the payment of the Van Sickle note, which was paid in full in early Fiscal 2003. The original note has been paid in full while a balance of $115,866 remains on another note to Mathew & Markson.

We had cash outflow of $685,167 in Fiscal 2003 relating to the repayment of borrowing on our credit facilities and the payment of $160,000 on the remaining Van Sickle note and cash outflow of $830,677 in Fiscal 2002 resulting from the repayment of our credit facility relating to Mathew & Markson Ltd.

As previously described, collections on accounts receivables are received primarily through the billing service aggregators under contract to administer this billing and collection process. The billing service aggregators generally do not remit funds until they

are collected. The billing companies maintain holdbacks for refunds and other uncertainties. Generally, cash is collected and remitted to us over a 90 to 120 day period subsequent to the billing dates. In August 2002, we entered into a new agreement with its primary billing service provider, PaymentOne, whereby cash is remitted to us on a sixty day timetable beginning November 2002.

We market our products primarily through the use of direct mailers to businesses throughout the United States. We generally pay for these marketing costs when incurred and amortize the costs of direct-response advertising on a straight-line basis over eighteen months. The amortization lives are based on estimated attrition rates. During Fiscal 2003, we paid $4,738,790 in advertising and marketing compared to $1,941,037 in Fiscal 2002. We anticipate the outlays for direct-response advertising to remain consistent over the next year.

We have an agreement with two of our largest shareholders, Morris & miller, Ltd. and Mathew and Markson, Ltd., which is memorialized in a third Amendment to the original Stock Purchase Agreement. This agreement cancels the prior revolving lines of credit with these parties effective April 9, 2004 upon the payment of the following final specific advances to each of them:

Morris & Miller, Ltd.

$275,000 on January 30, 2004
$300,000 on February 27, 2004
$500,000 on March 31, 2004
Sufficient funds to pay 3 years interest on April 9, 2004

Mathew and Markson, Ltd.

$50,000 on January 30, 2004
$100,000 on February 27, 2004
$75,000 on March 31, 2004
Sufficient funds to pay 3 years interest on April 9, 2004

Prior to December 31, 2003, our Board of Directors created YP Charities, an Internal Revenue Code 501(c)(3) corporation, established to make charitable contributions to worthy causes on our behalf and to encourage other companies that are good corporate citizens to do the same. YP Charities is not a

subsidiary of the Company. It is a non-member, non-profit entity controlled and run exclusively by the board of directors of YP Charities, which is currently comprised of certain officers and directors of the Company. As of this filing, we have not remitted any amounts to YP Charities but plan to contribute $100,000 during fiscal 2004.

Certain Risk Factors Affecting Our Business

Our business is subject to numerous risks, including those discussed below. If any of the events described in these risks occurs, our business, financial condition and results of operations could be seriously harmed.

Risks Related to Our Business

WE HAVE A RELATIVELY LIMITED OPERATING HISTORY UPON WHICH INVESTORS CAN EVALUATE THE LIKELIHOOD OF OUR SUCCESS.

We have been engaged in the Internet-based Yellow Pages industry through our subsidiary, Telco Billing, since 1997. As a result, an investor in our securities must consider the uncertainties, expenses, and difficulties frequently encountered by companies such as ours that are in the early stages of development. Investors should consider the likelihood of our future success to be highly speculative in light of our relatively limited operating history, as well as the challenges, limited resources, expenses, risks, and complications frequently encountered by similarly situated companies in the early stages of development, particularly companies in new and rapidly evolving markets such as Internet Yellow Pages. To address these risks and to sustain profitability, we must, among other things:

- maintain and increase our base of advertisers;
- increase the number of users who visit our web sites for online directory services;
- implement and successfully execute our business and marketing strategy;
- continue to develop and upgrade our technology;
- continually update and improve our service offerings and features;
- provide superior IAP advertiser service;
- respond to industry and competitive developments;
- successfully manage our growth while controlling expenses; and
- attract, retain, and motivate qualified personnel.

We may not be successful in addressing these risks. If we are unable to do so, our business, prospects, financial condition, and results of operations would be materially and adversely affected.

OUR SUCCESS DEPENDS UPON OUR ABILITY TO ESTABLISH AND MAINTAIN RELATIONSHIPS WITH OUR ADVERTISERS.

Our ability to generate revenue depends upon our ability to maintain relationships with our existing advertisers, to attract new advertisers to sign up for revenue-generating services, and to generate traffic to our advertisers' websites. We primarily use direct

marketing efforts to attract new advertisers. These direct marketing efforts may not produce satisfactory results in the future. We attempt to maintain relationships with our advertisers through IAP advertiser service and delivery of traffic to their businesses. An inability to either attract additional advertisers to use our service or to maintain relationships with our advertisers could have a material adverse effect on our business, prospects, financial condition, and results of operations.

IF WE DO NOT INTRODUCE NEW OR ENHANCED OFFERINGS TO OUR ADVERTISERS AND USERS, WE MAY BE UNABLE TO ATTRACT AND RETAIN THOSE ADVERTISERS AND USERS, WHICH WOULD SIGNIFICANTLY IMPEDE OUR ABILITY TO GENERATE REVENUE.

We will need to introduce new or enhanced products and services in order to attract and retain advertisers and users and remain competitive. Our industry has been characterized by rapid technological change, changes in advertiser and user requirements and preferences, and frequent new product and service introductions embodying new technologies. These changes could render our technology, systems, and website obsolete. We may experience difficulties that could delay or prevent us from introducing new products and services. If we do not periodically enhance our existing products and services, develop new technologies that address our advertisers' and users' needs and preferences, or respond to emerging technological advances and industry standards and practices on a timely and cost-effective basis, our products and services may not be attractive to advertisers and users, which would significantly impede our revenue growth. In addition, our reputation and our brand could be damaged if any new product or service introduction is not favorably received.

OUR REVENUE MAY DECLINE OVER TIME.

We have experienced a decrease in revenue from the Local Exchange Carriers (LEC) from the effects of the Competitive Local Exchange Carriers (CLEC) that are participating in providing local telephone services to IAP advertisers. We have begun to address this problem and we are implementing data filters to reduce the effects of the CLECs. We have also sought other billing methods to reduce the adverse effects of the CLEC billings. These other billing methods may be cheaper or more expensive than our current LEC billing and we have not yet determined if they will be less or more effective. We cannot provide any assurances that our efforts will be successful and may experience future decreases in revenue.

OUR QUARTERLY RESULTS OF OPERATIONS COULD FLUCTUATE DUE TO FACTORS OUTSIDE OF OUR CONTROL, WHICH MAY CAUSE CORRESPONDING FLUCTUATIONS IN THE PRICE OF OUR SECURITIES.

Our net sales may grow at a slower rate on a quarter-to-quarter basis than we have experienced in recent periods. Factors that could cause our results of operations to fluctuate in the future include the following:

- fluctuating demand for our services, which may depend on a number of factors including:

  - changes in economic conditions and our IAP advertisers' profitability,
  - varying IAP advertiser response rates to our direct marketing efforts,
  - our ability to complete direct mailing solicitations on a timely basis each month,
  - changes in our direct marketing efforts,
  - IAP advertiser refunds or cancellations, and
  - our ability to continue to bill IAP advertisers on their monthly telephone bills, ACH or credit card rather than through direct invoicing;
- timing of new service or product introductions and market acceptance of new or enhanced versions of our services or products;
- our ability to develop and implement new services and technologies in a timely fashion to meet market demand;
- price competition or pricing changes by us or our competitors;
- new product offerings or other actions by our competitors;
- month-to-month variations in the billing and receipt of amounts from Local Exchange Carriers (LEC), such that billing and revenues may fall into the subsequent fiscal quarter;
- the ability of our check processing service providers to continue to process and provide billing information regarding our solicitation checks;
- the amount and timing of expenditures for expansion of our operations, including the hiring of new employees, capital expenditures, and related costs;
- technical difficulties or failures affecting our systems or the Internet in general;
- a decline in Internet traffic at our website;
- the cost of acquiring, and the availability of, information for our database of potential advertisers; and
- the fact that our expenses are only partially based on our expectations regarding future revenue and are largely fixed in nature, particularly in the short term.

The fluctuation of our quarterly operating results, as well as other factors, could cause the market price of our securities to fluctuate significantly in the future. Some of these factors include:

- the announcement of new IAP advertisers or strategic alliances or the loss of significant IAP advertisers or strategic alliances;
- announcements by our competitors;
- sales or purchases of our securities by officers, directors and insiders;
- government regulation;

- announcements regarding restructuring, borrowing arrangements, technological innovations, departures of key officers, directors or employees, or the introduction of new products;

- political or economic events and governmental actions affecting Internet operations or businesses; and

- general market conditions and other factors, including factors unrelated to our operating performance or that of our competitors.

Investors in our securities should be willing to incur the risk of such price fluctuations.

OUR ABILITY TO EFFICIENTLY PROCESS NEW ADVERTISER SIGN-UPS AND TO BILL OUR ADVERTISERS MONTHLY DEPENDS UPON OUR CHECK PROCESSING SERVICE PROVIDERS AND BILLING AGGREGATORS, RESPECTIVELY.

We currently use three check processing companies to provide us with advertiser information at the point of sign-up for our Internet Advertising Package. One of these processors has indicated that it will be outsourcing this function in the future. Therefore, we have refrained from sending new business to this check processor. Our ability to gather information to bill our advertisers at the point of sign-up could be adversely affected if one or more of these providers experiences a disruption in its operations or ceases to do business with us.

We also depend upon our billing aggregators to efficiently bill and collect monies from the Local Exchange Carriers (LEC) relating to the LEC's billing and collection of our monthly charges from advertisers. We currently have agreements with two billing aggregators. Any disruption in our billing aggregators' ability to perform these functions could adversely affect our financial condition and results of operations.

THE LOSS OF OUR ABILITY TO BILL IAP ADVERTISERS THROUGH LOCAL EXCHANGE CARRIERS ON THE IAP ADVERTISERS' TELEPHONE BILLS WOULD ADVERSELY IMPACT OUR RESULTS OF OPERATIONS.

Our business model depends heavily upon our ability to bill advertisers on their telephone bills through their respective Local Exchange Carriers (LEC). The existence of the LECs is the result of Federal legislation. In the same manner, Congress could pass future legislation that obviates the existence of or the need for the LECs. Additionally, regulatory agencies could limit or prevent our ability to use the LECs to bill our advertisers. Finally, the introduction of and advancement of new technologies, such as WiFi technology or other wireless-related technologies, could render unnecessary the existence of fixed telecommunication lines, which, accordingly, would again obviate the need for and access to the LECs. Our inability to use the LECs to bill our advertisers through their monthly telephone bills would have a material adverse impact on our results of operations.

WE DEPEND UPON THIRD PARTIES TO PROVIDE CERTAIN SERVICES AND SOFTWARE, AND OUR BUSINESS MAY SUFFER IF THE RELATIONSHIPS UPON WHICH WE DEPEND FAIL TO PRODUCE THE EXPECTED BENEFITS OR ARE TERMINATED.

We currently outsource to third parties certain of the services that we provide, including the work of producing usable templates for and hosting of the QuickSites, website templates known as Ezsites, and wholesale Internet access. These relationships may not provide us benefits that outweigh the costs of the relationships. If any strategic supplier demands a greater portion of revenue derived from the services it provides or increases charges for its services, we may decide to terminate or refuse to renew that relationship, even if it previously had been profitable or otherwise beneficial. If we lose a significant strategic supplier, we may be unable to replace that relationship with other strategic relationships with comparable revenue potential. The loss or termination of any strategic relationship with one of these third-party suppliers could significantly impair our ability to provide services to our advertisers and users.

We depend upon third-party software to operate certain of our services. The failure of this software to perform as expected would have a material adverse effect on our business. Additionally, although we believe that several alternative sources for this software are available, any failure to obtain and maintain the rights to use such software would have a material adverse effect on our business, prospects, financial condition and results of operations. We also depend upon third parties to provide services that allow us to connect to the Internet with sufficient capacity and bandwidth so that our business can function properly and our websites can handle current and anticipated traffic. Any restrictions or interruption in our connection to the Internet would have a material adverse effect on our business, prospects, financial condition, and results of operations.

THE MARKET FOR OUR SERVICES IS UNCERTAIN AND IS STILL EVOLVING.

Internet Yellow Pages services are evolving rapidly and are characterized by an increasing number of market entrants. Our future revenues and profits will depend substantially upon the widespread acceptance and the use of the Internet and other online services as an effective medium of commerce by merchants and consumers. Rapid growth in the use of and interest in the Internet may not continue on a lasting basis, which may negatively impact Internet-based businesses such as ours. In addition, advertisers and users may not adopt or

continue to use Internet-base Yellow Pages services and other online services that we may offer in the future. The demand and market acceptance for recently introduced services generally is subject to a high level of uncertainty.

Most potential advertisers have only limited, if any, experience advertising on the Internet and have not devoted a significant portion of their advertising expenditures to Internet advertising. Advertisers may find Internet Yellow Pages advertising to be less effective for meeting their business needs than traditional methods of Yellow Pages or other advertising and marketing. Our business, prospects, financial condition or results of operations will be materially and adversely affected if potential advertisers do not adopt Internet Yellow Pages as an important component of their advertising expenditures.

WE MAY NOT BE ABLE TO SECURE ADDITIONAL CAPITAL TO EXPAND OUR OPERATIONS.

Although we currently have no material long-term needs for capital expenditures, we will likely be required to make increased capital expenditures to fund our anticipated growth of operations, infrastructure, and personnel. We currently anticipate that our cash on hand, together with cash flows from operations, will be sufficient to meet our anticipated liquidity needs for working capital and capital expenditures over the next 12 months. In the future, however, we may seek additional capital through the issuance of debt or equity depending upon our results of operations, market conditions or unforeseen needs or opportunities. Our future liquidity and capital requirements will depend on numerous factors, including the following:

- the pace of expansion of our operations;

- our need to respond to competitive pressures; and

- future acquisitions of complementary products, technologies or businesses.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties and actual results could vary materially as a result of the factors described above. As we require additional capital resources, we may seek to sell additional equity or debt securities or draw on our existing bank line of credit. Debt financing must be repaid at maturity, regardless of whether or not we have sufficient cash resources available at that time to repay the debt. The sale of additional equity or convertible debt securities could result in additional dilution to existing stockholders. We cannot provide assurance that any financing arrangements will be available in amounts or on terms acceptable to us, if at all.

WE MUST MANAGE OUR GROWTH AND MAINTAIN PROCEDURES AND CONTROLS ON OUR BUSINESS.

We have rapidly and significantly expanded our operations and we anticipate further significant expansion to accommodate the expected growth in our IAP advertiser base and market opportunities. We have increased the number of our personnel from the inception of our operations to the present. This expansion has placed, and is expected to continue to place, a significant strain on our management and operational resources. As a result, we may not be able to effectively manage our resources, coordinate our efforts, supervise our personnel or otherwise successfully manage our resources. We have recently added a number of key managerial, technical, and operations personnel and we expect to add additional key personnel in the future. We also plan to continue to increase our personnel base. These additional personnel may further strain our management resources.

The rapid growth of our business could in the future strain our ability to meet IAP advertiser demands and manage our IAP advertiser relationships. This could result in the loss of IAP advertisers and harm our business reputation.

In order to manage the expected growth of our operations and personnel, we must continue maintaining and improving or replacing existing operational, accounting, and information systems, procedures, and controls. Further, we must manage effectively our relationships with our IAP advertisers, as well as other third parties necessary to our business. Our business could be adversely affected if we are unable to manage growth effectively.

WE DEPEND UPON OUR EXECUTIVE OFFICERS AND KEY PERSONNEL.

Our performance depends substantially on the performance of our executive officers and other key personnel. The success of our business in the future will depend on our ability to attract, train, retain and motivate high quality personnel, especially highly qualified technical and managerial personnel. The loss of services of any executive officers or key personnel could have a material adverse effect on our business, results of operations or financial condition. We do not maintain key person life insurance on the lives of any of our executive officers or key personnel.

Competition for talented personnel is intense, and there is no assurance that we will be able to continue to attract, train, retain or motivate other highly qualified technical and managerial personnel in the future. In addition, market conditions may require us to pay higher compensation to qualified management and technical personnel than we currently anticipate. Any inability to attract and retain qualified management and technical personnel in the future could have a material adverse effect on our business, prospects, financial

condition, and results of operations.

OUR BUSINESS IS SUBJECT TO A STRICT REGULATORY ENVIRONMENT.

Existing laws and regulations and any future regulation may have a material adverse effect on our business. For example, we believe that our direct marketing programs meet or exceed existing requirements of the United States Federal Trade Commission (FTC). Any changes to FTC requirements or changes in our direct or other marketing practices, however, could result in our marketing practices failing to comply with FTC regulations. As a result, we could be subject to substantial liability in the future, including fines and criminal penalties, preclusion from offering certain products or services, and the prevention or limitation of certain marketing practices.

WE FACE INTENSE COMPETITION, INCLUDING FROM COMPANIES WITH GREATER RESOURCES, WHICH COULD ADVERSELY AFFECT OUR GROWTH AND COULD LEAD TO DECREASED REVENUES.

Several companies, including Verizon, Yahoo and Microsoft, currently market Internet Yellow Pages services that directly compete with our services and products. We

may not compete effectively with existing and potential competitors for several reasons, including the following:

- some competitors have longer operating histories and greater financial and other resources than we have and are in better financial condition than we are;

- some competitors have better name recognition, as well as larger, more established, and more extensive marketing, IAP advertiser service, and IAP advertiser support capabilities than we have;

- some competitors may supply a broader range of services, enabling them to serve more or all of their IAP advertisers' needs. This could limit our sales and strengthen our competitors' existing relationships with their IAP advertisers, including our current and potential IAP advertisers;

- some competitors may be able to better adapt to changing market conditions and IAP advertiser demand; and

- barriers to entry are not significant. As a result, other companies that are not currently involved in the Internet-based Yellow Pages advertising business may enter the market or develop technology that reduces the need for our services.

Increased competitive pressure could lead to reduced market share, as well as lower prices and reduced margins for our services. If we experience reductions in our revenue for any reason, our margins may continue to decline, which would adversely affect our results of operations. We cannot assure you that we will be able to compete successfully in the future.

WE MAY FACE RISKS AS WE EXPAND OUR BUSINESS INTO INTERNATIONAL MARKETS.

We currently are exploring opportunities to offer our services in other English-speaking countries. We have limited experience in developing and marketing our services internationally, and we may not be able to successfully execute our business model in markets outside the United States. We will face a number of risks inherent in doing business in international markets, including the following:

- international markets typically experience lower levels of Internet usage and Internet advertising than the United States, which could result in lower-than-expected demand for our services;

- unexpected changes in regulatory requirements;

- potentially adverse tax consequences;

- difficulties in staffing and managing foreign operations;

- changing economic conditions;

- exposures to different legal standards, particularly with respect to intellectual property and distribution of information over the Internet;

- burdens of complying with a variety of foreign laws; and

- fluctuations in currency exchange rates.

To the extent that international operations represent a significant portion of our business in the future, our business could suffer if any of these risks occur.

WE MAY BE UNABLE TO PROMOTE AND MAINTAIN OUR BRANDS.

We believe that establishing and maintaining the brand identities of our Internet Yellow Pages services is a critical aspect of attracting and expanding

a base of advertisers and users. Promotion and enhancement of our brands will depend largely on our success in continuing to provide high quality service. If advertisers and users do not perceive our existing services to be of high quality, or if we introduce new services or enter into new business ventures that are not favorably received by advertisers and users, we will risk diluting our brand identities and decreasing their attractiveness to existing and potential IAP advertisers.

WE MAY NOT BE ABLE TO ADEQUATELY PROTECT OUR INTELLECTUAL PROPERTY RIGHTS.

Our success depends both on our internally developed technology and our third party technology. We rely on a variety of trademarks, service marks, and designs to promote our brand names and identity. We also rely on a combination of contractual provisions, confidentiality procedures, and trademark, copyright, trade secrecy, unfair competition, and other intellectual property laws to protect the proprietary aspects of our products and services. Legal standards relating to the validity, enforceability, and scope of the protection of certain intellectual property rights in Internet-related industries are uncertain and still evolving. The steps we take to protect our intellectual property rights may not be adequate to protect our intellectual property and may not prevent our competitors from gaining access to our intellectual property and proprietary information. In addition, we cannot provide assurance that courts will always uphold our intellectual property rights or enforce the contractual arrangements that we have entered into to protect our proprietary technology.

Third parties may infringe or misappropriate our copyrights, trademarks, service marks, trade dress, and other proprietary rights. Any such infringement or misappropriation could have a material adverse effect on our business, prospects, financial condition, and results of operations. In addition, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights, which may result in the dilution of the brand identity of our services.

We may decide to initiate litigation in order to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of our proprietary rights. Any such litigation could result in substantial expense, may reduce our profits, and may not adequately protect our intellectual property rights. In addition,

we may be exposed to future litigation by third parties based on claims that our products or services infringe their intellectual property rights. Any such claim or litigation against us, whether or not successful, could result in substantial costs and harm our reputation. In addition, such claims or litigation could force us to do one or more of the following:

- cease selling or using any of our products that incorporate the challenged intellectual property, which would adversely affect our revenue;

- obtain a license from the holder of the intellectual property right alleged to have been infringed, which license may not be available on reasonable terms, if at all; and

- redesign or, in the case of trademark claims, rename our products or services to avoid infringing the intellectual property rights of third parties, which may not be possible and in any event could be costly and time-consuming.

Even if we were to prevail, such claims or litigation could be time-consuming and expensive to prosecute or defend, and could result in the diversion of our management's time and attention. These expenses and diversion of managerial resources could have a material adverse effect on our business, prospects, financial condition, and results of operations.

CURRENT CAPACITY CONSTRAINTS MAY REQUIRE US TO EXPAND OUR INFRASTRUCTURE AND IAP ADVERTISER SUPPORT CAPABILITIES.

Our ability to provide high-quality Internet Yellow Pages services largely depends upon the efficient and uninterrupted operation of our computer and communications systems. We may be required to expand our technology, infrastructure, and IAP advertiser support capabilities in order to accommodate any significant increases in the numbers of advertisers and users of our web sites. We may not be able to project accurately the rate or timing of increases, if any, in the use of our services or expand and upgrade our systems and infrastructure to accommodate these increases in a timely manner. If we do not expand and upgrade our infrastructure in a timely manner, we could experience temporary capacity constraints that may cause unanticipated system disruptions, slower response times, and lower levels of IAP advertiser service. Our inability to upgrade and expand our infrastructure and IAP advertiser support capabilities as required could impair the reputation of our brand and our services, reduce the volume of users able to access our website, and diminish the attractiveness of our service offerings to our advertisers.

Any expansion of our infrastructure may require us to make significant upfront expenditures for servers, routers, computer equipment, and additional Internet and intranet equipment, as well as to increase bandwidth for Internet connectivity. Any such expansion or enhancement will need to be completed and integrated without system disruptions. An inability to expand our infrastructure or IAP advertiser service capabilities either internally or through third

parties, if and when necessary, would materially adversely affect our business, prospects, financial condition, and results of operations.

Risks Related to the Internet

WE MAY NOT BE ABLE TO ADAPT AS THE INTERNET, INTERNET YELLOW PAGES SERVICES, AND IAP ADVERTISER DEMANDS CONTINUE TO EVOLVE.

Our failure to respond in a timely manner to changing market conditions or client requirements could have a material adverse effect on our business, prospects, financial condition, and results of operations. The Internet, e-commerce, and the Internet Yellow Pages industry are characterized by:

- rapid technological change;
- changes in advertiser and user requirements and preferences;
- frequent new product and service introductions embodying new technologies; and
- the emergence of new industry standards and practices that could render our existing service offerings, technology, and hardware and software infrastructure obsolete.

In order to compete successfully in the future, we must

- enhance our existing services and develop new services and technology that address the increasingly sophisticated and varied needs of our prospective or current IAP advertisers;
- license, develop or acquire technologies useful in our business on a timely basis; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

OUR FUTURE SUCCESS WILL DEPEND ON CONTINUED GROWTH IN THE USE OF THE INTERNET.

Because Internet Yellow Pages is a new and rapidly evolving industry, the ultimate demand and market acceptance for our services will be subject to a high level of uncertainty. Significant issues concerning the commercial use of the Internet and online service technologies, including security, reliability, cost, ease of use, and quality of service, remain unresolved and may inhibit the growth of Internet business solutions that use these technologies. In addition, the Internet or other online services could lose their viability due to delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity, or due to increased governmental regulation. Our business, prospects, financial condition, and results of operations would be materially and adversely affected if the use of Internet Yellow Pages and other online services does not continue to grow or grows more slowly than we expect.

WE WILL BE REQUIRED TO KEEP PACE WITH RAPID TECHNOLOGICAL CHANGE IN THE INTERNET INDUSTRY.

In order to remain competitive, we will be required continually to enhance and improve the functionality and features of our existing services, which could require us to invest significant capital. If our competitors introduce new products and services embodying new technologies, or if new industry standards and practices emerge, our existing services, technologies, and systems may become obsolete. We may not have the funds or technical know-how to upgrade our services, technology, and systems. If we face material delays in introducing new services, products, and enhancements, our advertisers and users, may forego the use of our services and select those of our competitors, in which event our business, prospects, financial condition and results of operations could be materially and adversely affected.

REGULATION OF THE INTERNET MAY ADVERSELY AFFECT OUR BUSINESS.

Due to the increasing popularity and use of the Internet and online services such as online Yellow Pages, federal, state, local, and foreign governments may adopt laws and regulations, or amend existing laws and regulations, with respect to the Internet and other online services. These laws and regulations may affect issues such as user privacy, pricing, content, taxation, copyrights, distribution, and quality of products and services. The laws governing the Internet remain largely unsettled, even in areas where legislation has been enacted. It may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, and taxation, apply to the Internet and Internet advertising and directory services. In addition, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, that may impose additional burdens on companies conducting business over the Internet. Any new legislation could hinder the growth in use of the Internet generally or in our industry and could impose additional burdens on companies conducting business online, which could, in turn, decrease the demand for our services, increase our cost of doing business, or otherwise have a material adverse effect on our business, prospects, financial condition, and results of operations.

WE MAY NOT BE ABLE TO OBTAIN INTERNET DOMAIN NAMES THAT WE WOULD LIKE TO HAVE.

We believe that our existing Internet domain names are an extremely important part of our business. We may desire, or it may be necessary in the future, to use these or other domain names in the United States and abroad. Various Internet regulatory bodies regulate the acquisition and maintenance of domain names in the United States and other countries. These regulations are subject to change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we plan to conduct business in the future.

The extent to which laws protecting trademarks and similar proprietary rights will be extended to protect domain names currently is not clear. We therefore may be unable to prevent competitors from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our domain names, trademarks, trade names, and other proprietary rights. We cannot provide assurance that potential users and advertisers will not confuse our domain names, trademarks, and trade names with other similar names and marks. If that confusion occurs, we may lose business to a competitor and some advertisers and users may have negative experiences with other companies that those advertisers and users erroneously associate with us. The inability to acquire and maintain domain names that we desire to use in our business, and the use of confusingly similar domain names by our competitors, could have a material adverse affect on our business, prospects, financial conditions, and results of operations in the future.

OUR BUSINESS COULD BE NEGATIVELY IMPACTED IF THE SECURITY OF THE INTERNET BECOMES COMPROMISED.

To the extent that our activities involve the storage and transmission of proprietary information about our advertisers or users, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. Our security measures may not prevent security breaches. Our failure to prevent these security breaches or a misappropriation of proprietary information may have a material adverse effect on our business, prospects, financial condition, and results of operations.

OUR TECHNICAL SYSTEMS COULD BE VULNERABLE TO ONLINE SECURITY RISKS, SERVICE INTERRUPTIONS OR DAMAGE TO OUR SYSTEMS.

Our systems and operations may be vulnerable to damage or interruption from fire, floods, power loss, telecommunications failures, break-ins, sabotage, computer viruses, penetration of our network by unauthorized computer users and "hackers," natural disaster, and similar events. Preventing, alleviating, or eliminating computer viruses and other service-related or security problems may require interruptions, delays or cessation of service. We may need to expend significant resources protecting against the threat of security breaches or alleviating potential or actual service interruptions. The occurrence of such unanticipated problems or security breaches could cause material interruptions or delays in our business, loss of data, or misappropriation of proprietary or IAP advertiser-related information or could render us unable to provide services to our IAP advertisers for an indeterminate length of time. The occurrence of any or all of these events could materially and adversely affect our business, prospects, financial condition, and results of operations.

IF WE ARE SUED FOR CONTENT DISTRIBUTED THROUGH, OR LINKED TO BY, OUR WEBSITE OR THOSE OF OUR ADVERTISERS, WE MAY BE REQUIRED TO SPEND SUBSTANTIAL RESOURCES TO DEFEND OURSELVES AND COULD BE REQUIRED TO PAY MONETARY DAMAGES.

We aggregate and distribute third-party data and other content over the Internet. In addition, third-party websites are accessible through our website or those of our advertisers. As a result, we could be subject to legal claims for defamation, negligence, intellectual property infringement, and product or service liability. Other claims may be based on errors or false or misleading information provided on or through our website or websites of our directory licensees. Other claims may be based on links to sexually explicit websites and sexually explicit advertisements. We may need to expend substantial resources to investigate and defend these claims, regardless of whether we successfully defend against them. While we carry general business insurance, the amount of coverage we maintain may not be adequate. In addition, implementing measures to reduce our exposure to this liability may require us to spend substantial resources and limit the attractiveness of our content to users.

Risks Related to Our Securities

STOCK PRICES OF TECHNOLOGY COMPANIES HAVE DECLINED PRECIPITOUSLY AT TIMES IN THE PAST AND THE TRADING PRICE OF OUR COMMON STOCK IS LIKELY TO BE VOLATILE, WHICH COULD RESULT IN SUBSTANTIAL LOSSES TO INVESTORS.

The trading price of our common stock has risen significantly over the past twelve months and could continue to be volatile in response to factors including the following, many of which are beyond our control:

- decreased demand in the Internet services sector;

- variations in our operating results;

- announcements of technological innovations or new services by us or our competitors;

- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;

- our failure to meet analysts' expectations;

- changes in operating and stock price performance of other technology companies similar to us;

- conditions or trends in the technology industry;

- additions or departures of key personnel; and

- future sales of our common stock.

Domestic and international stock markets often experience significant price and volume fluctuations that are unrelated to the operating performance of companies with securities trading in those markets. These fluctuations, as well as political events,

terrorist attacks, threatened or actual war, and general economic conditions unrelated to our performance, may adversely affect the price of our common stock. In the past, securities holders of other companies often have initiated securities class action litigation against those companies following periods of volatility in the market price of those companies' securities. If the market price of our stock fluctuates and our stockholders initiate this type of litigation, we could incur substantial costs and experience a diversion of our management's attention and resources, regardless of the outcome. This could materially and adversely affect our business, prospects, financial condition, and results of operations.

CERTAIN PROVISIONS OF NEVADA LAW AND IN OUR CHARTER MAY PREVENT OR DELAY A CHANGE OF CONTROL OF OUR COMPANY.

We are subject to the Nevada anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent Nevada corporations from engaging in a merger, consolidation, sales of its stock or assets, and certain other transactions with any stockholder, including all affiliates and associates of the stockholder, who owns 10% or more of the corporation's outstanding voting stock, for three years following the date that the stockholder acquired 10% or more of the corporation's voting stock except in certain situations. In addition, our amended and restated articles of incorporation and bylaws include a number of provisions that may deter or impede hostile takeovers or changes of control or management. These provisions include the following:

- our board is classified into three classes of directors as nearly equal in size as possible, with staggered three year-terms;

- the authority of our board to issue up to 5,000,000 shares of serial preferred stock and to determine the price, rights, preferences, and privileges of these shares, without stockholder approval;

- all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent unless such action or proposal is first approved by our board of directors;

- special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or the President of our company; and

- cumulative voting is not allowed in the election of our directors.

These provisions of Nevada law and our articles and bylaws could prohibit or delay mergers or other takeover or change of control of our company and may discourage attempts by other companies to acquire us, even if such a transaction would be beneficial to our stockholders.

OUR COMMON STOCK MAY BE SUBJECT TO THE "PENNY STOCK" RULES AS PROMULGATED UNDER THE EXCHANGE ACT.

In the event that no exclusion from the definition of "penny stock" under the Exchange Act is available, then any broker engaging in a transaction in our common

stock will be required to provide its IAP advertisers with a risk disclosure document, disclosure of market quotations, if any, disclosure of the compensation of the broker-dealer and its sales person in the transaction, and monthly account statements showing the market values of our securities held in the IAP advertiser's accounts. The bid and offer quotation and compensation information must be provided prior to effecting the transaction and must be contained on the IAP advertiser's confirmation of sale. Certain brokers are less willing to engage in transactions involving "penny stocks" as a result of the additional disclosure requirements described above, which may make it more difficult for holders of our common stock to dispose of their shares.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YP.NET, INC.

TABLE OF CONTENTS PAGE

	PAGE
INDEPENDENT AUDITORS' REPORT	64
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheet at September 30, 2003	65
Consolidated Statements of Operations for the years ended September 30, 2003 and September 30, 2002	66
Consolidated Statements of Stockholders' Equity for the years ended September 30, 2003 and September 30, 2002	67
Consolidated Statements of Cash Flows for the years ended September 30, 2003 and September 30, 2002	69
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	71

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of YP.Net, Inc. as of September 30, 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended September 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YP.Net, Inc. as of September 30, 2003, and the consolidated results of its operations and cash flows for each of the two years in the period ended September 30, 2003, in conformity with accounting principles generally accepted United States of America.

As discussed in Note 1 to the financial statements, the Company's consolidated statement of operations for the year ended September 30, 2002, had previously reported net revenues of $13,232,743 which has been decreased by $614,617 due to reclassifications of certain customer refunds of $313,716 previously reported in cost of services and $300,901 of revenue generated for services performed for an affiliate being reclassified as other income. These changes had no effect on net income for the year ended September 30, 2002. It was also noted that 3,081,500 shares of issued common stock had been improperly included in the outstanding shares. These shares were actually treasury shares and therefore should be excluded form the number of shares outstanding. The Company corrected the error by reclassifying the par value of those shares of $3,082 from the common stock account to the paid in capital account. This matter had the effect of overstating the weighted average shares outstanding and the basic and diluted earnings per share for the year ended September 30, 2002 was therefore increased from $0.08 to $0.09. These matters were discovered subsequent to the issuance of the financial statements for the year ended September 30, 2002.

/s/ EPSTEIN, WEBER & CONOVER, P.L.C.
Scottsdale, Arizona
December 5, 2003

<TABLE>
<CAPTION>

YP.NET, INC.

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2003

<S> <C>
ASSETS:

CURRENT ASSETS	
Cash and cash equivalents	$ 2,378,848
Accounts receivable, net	7,328,624
Prepaid expenses and other current assets	154,276
Deferred tax asset	1,400,637
Total current assets	11,262,385
ACCOUNTS RECEIVABLE - long term portion	1,123,505
CUSTOMER ACQUISITION COSTS, net of accumulated amortization of $2,913,776	3,243,241
PROPERTY AND EQUIPMENT, net	731,142
DEPOSITS AND OTHER ASSETS	148,310
INTELLECTUAL PROPERTY- URL, net of accumulated amortization of $1,868,283	3,512,952
ADVANCES TO AFFILIATES	2,126,204
TOTAL ASSETS	$22,147,739
LIABILITIES AND STOCKHOLDERS' EQUITY:	
CURRENT LIABILITIES:	
Accounts payable	$ 428,423
Accrued liabilities	1,413,245
Notes payable - current portion	115,868
Income taxes payable	2,689,312
Total current liabilities	4,646,848
DEFERRED INCOME TAXES	27,864
Total liabilities	4,674,712
STOCKHOLDERS' EQUITY:	
Series E convertible preferred stock, $.001 par value, 200,000 shares authorized, 131,840 issued and outstanding, liquidation preference $39,552	11,206
Common stock, $.001 par value, 100,000,000 shares authorized, 55,265,136 issued, 48,560,802 outstanding	48,561
Paid in capital	9,057,187
Deferred stock compensation	(3,840,843)
Treasury stock at cost	(690,306)
Retained earnings	12,887,222
Total stockholders' equity	17,473,027
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$22,147,739

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

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

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002

<S>	2003 <C>	2002 <C>
NET REVENUES	$30,767,444	$12,618,126
OPERATING EXPENSES:		
Cost of services	8,357,768	3,497,678
General and administrative expenses	8,657,690	4,754,665
Sales and marketing expenses	3,868,643	963,868
Depreciation and amortization	660,475	581,290
Total operating expenses	21,544,576	9,797,501
OPERATING INCOME	9,222,868	2,820,625
OTHER (INCOME) AND EXPENSES		
Interest expense and other financing costs	19,728	92,341
Interest income	(108,995)	(17,682)
Other expense/(income)	(648,908)	(704,523)
Total other income	(738,175)	(629,864)

INCOME BEFORE INCOME TAXES	9,961,043	3,450,489
INCOME TAX PROVISION (BENEFIT)	2,037,152	(245,974)
NET INCOME	$ 7,923,891	$ 3,696,463
NET INCOME PER SHARE:		
Basic	$ 0.18	$ 0.09
Diluted	$ 0.18	$ 0.09
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	45,090,877	41,474,180
Diluted	45,090,877	41,474,180

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

<TABLE>
<CAPTION>

YP.NET, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PREFERRED E SHARES	PREFERRED E AMOUNT	TREASURY STOCK	PAID-IN CAPITAL	RETAINED EARNINGS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE OCTOBER 1, 2001	40,732,180	$40,732	-	$ -	$(171,422)	$4,559,888	$1,269,340
Common stock issued for services	100,000	100				8,900	
Common stock received under legal settlements and placed in treasury	(250,000)	(250)				(267,425)	
Series E preferred stock issued in exchange for common shares	(131,840)	(132)	131,840	11,206		(11,074)	
Series E preferred stock dividends							(494)
Net income							3,696,463
BALANCE SEPTEMBER 30, 2002	40,450,340	$40,450	131,840	$11,206	$(171,422)	$4,290,289	$4,965,309

	TOTAL
<S>	<C>
BALANCE OCTOBER 1, 2001	$5,698,538
Common stock issued for services	9,000
Common stock received under legal settlements and placed in treasury	(267,675)
Series E preferred stock issued in exchange for common shares	-
Series E preferred stock dividends	(494)
Net income	3,696,463
BALANCE SEPTEMBER 30, 2002	$9,135,832

</TABLE>

(CONTINUED)

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

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE
YEARS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002

	COMMON STOCK SHARES	AMOUNT	PREFERRED E SHARES	AMOUNT	TREASURY STOCK	PAID-IN CAPITAL	DEFERRED COMPENSATION
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE OCTOBER 1, 2002	40,450,340	$40,450	131,840	$11,206	$(171,422)	$4,290,289	$ -
Common stock issued for services	7,005,678	7,006				712,678	
Common stock received under legal settlements and placed in treasury	(468,216)	(468)			(473,884)	468	
Common stock issued for URL	100,000	100				59,900	
Purchase of treasury stock	(500,000)	(500)			(45,000)	500	
Series E preferred stock dividends							
Common stock issued in restricted stock plan	1,973,000	1,973				3,993,352	(3,995,325)
Amortization of deferred stock compensation							154,482
Net income							
BALANCE SEPTEMBER 30, 2003	48,560,802	$48,561	131,840	$11,206	$(690,306)	$9,057,187	$ (3,840,843)

	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>
BALANCE OCTOBER 1, 2002	$ 4,965,309	$ 9,135,832
Common stock issued for services		719,684
Common stock received under legal settlements and placed in treasury		(473,884)
Common stock issued for URL		60,000
Purchase of treasury stock		(45,000)
Series E preferred stock dividends	(1,978)	(1,978)
Common stock issued in restricted stock plan		-
Amortization of deferred stock compensation		154,482
Net income	7,923,891	7,923,891
BALANCE SEPTEMBER 30, 2003	$12,887,222	$17,473,027

</TABLE>

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

<TABLE>
<CAPTION>

YP.NET, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE
YEARS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	2003	2002
<S>	<C>	<C>

Net income	$ 7,923,891	$ 3,696,463
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	660,475	581,290
Amortization of deferred stock compensation	154,482	
Issuance of common stock as compensation for services	719,684	9,000
Gain on settlement of debt	(45,362)	-
Non-cash income recognized on return of common stock related to legal settlements	(473,884)	(267,675)
Deferred income taxes	(1,465,915)	490,101
Loss on disposal of equipment	6,932	
Provision for uncollectible accounts	1,688,058	1,375,226
Changes in assets and liabilities:		
Accounts receivable	(6,064,894)	(2,580,410)
Customer acquisition costs	(1,825,014)	(1,224,983)
Prepaid and other current assets	(183,196)	(44,042)
Deposits and other assets	2,415	(127,438)
Accounts payable	233,027	(119,511)
Accrued liabilities	1,228,470	106,069
Income taxes payable	2,203,069	(736,075)
Net cash provided by operating activities	4,762,238	1,158,015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances made to affiliate	(1,800,000)	(116,757)
Expenditures for intellectual property	(261,545)	(49,688)
Purchases of equipment	(736,955)	(77,632)
Net cash used for investing activities	(2,798,500)	(244,077)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	378,169	-
Principal repayments on notes payable	(685,167)	(830,677)
Purchase of treasury stock	(45,000)	-
Net cash used for financing activities	(351,998)	(830,677)
INCREASE IN CASH AND CASH EQUIVALENTS	1,611,740	83,261
CASH AND CASH EQUIVALENTS, beginning of year	767,108	683,847
CASH AND CASH EQUIVALENTS, end of year	$ 2,378,848	$ 767,108

</TABLE>

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

<TABLE>
<CAPTION>

YP.NET, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS, (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2003 AND 2001

SUPPLEMENTAL CASH FLOW INFORMATION:

<S>	2003 <C>	2002 <C>
Interest Paid	$ 11,258	$99,541
Income taxes paid	$1,300,000	$ -0-

</TABLE>

<TABLE>
<CAPTION>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

<S>	2003 <C>	2002 <C>
Common stock issued for services	$719,684	$ 9,000
Common stock issued to purchase intellectual property	$ 60,000	$ -0-
Common stock exchanged for Series E Convertible Preferred Stock	$ - 0 -	$11,206

======== =======

</TABLE>

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

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company and Telco, its wholly owned subsidiary, for the years ended September 30, 2003 and September 30, 2002. Certain reclassifications have been made to the September 30, 2002 balances to conform to the 2003 presentation. These reclassifications to the 2002 financial statements include:

- Customer refunds of $313,716 in 2002 have been reclassified by moving them from cost of services to netting them in revenue. As a result of better reporting by the third party billing aggregator, these refunds were specifically identified when they were previously included as a general charge back by the billing aggregator.

- It was determined that $300,901 of revenue generated by providing services to an affiliate, Simple.net, which encompassed loaning personnel to the affiliate on a contract basis, did not represent customer revenue in the Company's product line and that those related billings should therefore be excluded from customer revenue. The Company reduced revenue as previously reported by $300,901 and reclassified that amount in other income.

- It was discovered in the year ended September 30, 2003, that 3,081,500 shares of issued common stock had been improperly included in the outstanding shares. These shares were actually treasury shares and therefore should be excluded from the number of shares outstanding. The Company corrected the error by reclassifying the par value of those shares of $3,082 from the common stock account to the paid in capital account. The incorrect number of treasury shares also had the effect of incorrectly reporting the weighted average shares outstanding for purposes of the earnings per share calculation. The weighted average shares outstanding was previously reported as 43,745,045 and has been corrected to 41,474,180. The effect of the corrected weighted average shares outstanding on the basic and diluted earnings per share for the year ended September 30, 2002 was an increase from $0.08 to $0.09.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: This includes all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. At times cash deposits may

exceed government insured limits. At September 30, 2003, cash deposits exceeded those insured limits by $2,255,000.

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

Customer Acquisition Costs: These costs represent the direct response marketing costs that are incurred as the primary method by which customers subscribe to the Company's services. The Company purchases mailing lists and sends advertising materials to prospective subscribers from those lists. Customers subscribe to the services by positively responding to those advertising materials, which serve as the contract for the subscription. The Company capitalizes and amortizes the costs of direct-response advertising on a straight-line basis over eighteen months, the estimated average period of retention for new customers. The Company capitalized costs of $4,739,000 and $1,941,000 during the years ended September 30, 2003 and 2002 respectively. The Company amortized $2,914,000 and $719,000, respectively, of these capitalized costs during the years ended September 30, 2003 and 2002. The Company also analyzes these capitalized costs for impairment and believes that there was no impairment of the carrying cost at September 30, 2003 on the basis of customer retention and revenue generated per customer.

The Company also incurs advertising costs that are not considered direct-response advertising. These other advertising costs are expensed when incurred. These advertising expenses were $955,000 and $248,000 for the years ended September 30, 2003 and 2002 respectively.

Property and Equipment: Property and equipment is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 5 years. Depreciation expense was $273,340 and $178,058 for the years ended September 30, 2003 and 2002 respectively.

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

Revenue for billings to certain customers whom are billed directly by the Company and not through the LEC's, is recognized based on estimated future collections. The Company continuously reviews this estimate for reasonableness based on its collection experience.

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

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

Financial Instruments: Financial instruments consist primarily of cash, accounts receivable, advances to affiliates and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash, accounts receivable, accounts payable, accrued expenses and notes payable approximate fair value because of the short maturity

of those instruments. The carrying amount of the advances to affiliates approximates fair value because the Company charges what it believes are market rate interest rates for comparable credit risk instruments. The Company has applied certain assumptions in estimating these fair values. The use of different assumptions or methodologies may have a material effect on the estimates of fair values.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in connection with the accompanying financial statements include the estimate of dilution and fees associated with LEC billings and the estimated reserve for doubtful accounts receivable.

Stock-Based Compensation: Statements of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, ("SFAS 123") established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation. In accordance with SFAS 123, the Company has elected to continue accounting for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

From time to time, the Company issues stock options to executives, key employees and members of the Board of Directors. Generally, when the Company grants stock options to employees, there is no intrinsic value of those options on the date of grant. Accordingly, no compensation cost has been recognized for stock options granted to employees. There were no options granted in the years ended September 30, 2003 and 2002 nor was there any additional vesting of options previously granted. Because no options were granted during the years ended September 30, 2003 and 2002, there is no presentation of pro forma information regarding net income.

The Company accounts for stock awards issued to nonemployees in accordance with the provisions of SFAS 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18 Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services. Under SFAS 123 and EITF 96-18, stock awards to nonemployees are accounted for at their fair value as determined under Black-Scholes option pricing model.

Impairment of Long-lived Assets: The Company assesses long-lived assets for impairment in accordance with the provisions of SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. SFAS 121 requires that the Company assess the value of a long-lived asset whenever there is an indication that its carrying amount may not be recoverable. Recoverability of the asset is determined by comparing the forecasted undiscounted cash flows generated by said asset to its carrying value. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value.

Recently Issued Accounting Pronouncements: In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities". This Standard requires costs associated with exit or disposal activities to be recognized when they are incurred. The Company estimates the impact of adopting these new rules will not be material.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." SFAS No. 147 is effective October 1, 2002. The adoption of SFAS No. 147 did not have a material effect on the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," effective for contracts entered into or modified after June 30, 2003. This amendment clarifies when a contract meets the characteristics of a derivative, clarifies when a derivate contains a financing component and amends certain other existing pronouncements. The Company believes the adoption of SFAS No. 149 will not have a material effect on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 is effective for financial instruments entered into or modified after May 31,

2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 requires the classification as a liability of any financial instruments with a mandatory redemption feature, an obligation to repurchase equity shares, or a conditional obligation based on the issuance of a variable number of its equity shares. The Company does not have any financial instruments with a mandatory redemption feature. The Company believes the adoption of SFAS No. 150 will not have a material effect on the Company's financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 clarifies the requirements for a guarantor's accounting for and disclosure of certain guarantees issued and outstanding. The initial recognition and initial measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements for periods ending after December 15, 2002. The adoption of FIN 45 did not have a significant impact on the

Company's financial statements. See Note 10.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities" (FIN 46). FIN No. 46 states that companies that have exposure to the economic risks and potential rewards from another entity's assets and activities have a controlling financial interest in a variable interest entity and should consolidate the entity, despite the absence of clear control through a voting equity interest. The consolidation requirements apply to all variable interest entities created after January 31, 2003. For variable interest entities that existed prior to February 1, 2003, the consolidation requirements are effective for annual or interim periods beginning after June 15, 2003. Disclosure of significant variable interest entities is required in all financial statements issued after January 31, 2003, regardless of when the variable interest was created. The Company is presently reviewing arrangements to determine if any variable interest entities exist but does not anticipate the adoption of FIN 46 will have a significant impact on the Company's financial statements.

3. ACCOUNTS RECEIVABLE

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

The Company experiences significant dilution of its gross billings by the billing companies. The Company negotiates collections with the billing companies on the basis of the contracted terms and historical experience. The Company's cash flow may be affected by holdbacks, fees, and other matters, which are determined by the LEC's and the billing companies. The Company processes its billings through two primary billing companies.

EBillit, Inc. ("EBI") provides the majority of the Company's billings, collections, and related services. The net receivable due from EBillit at September 30, 2003 was $6,457,998, net of an allowance for doubtful accounts of $2,269,027. The net receivable from EBI at September 30, 2003, represents approximately 76% of the Company's total net accounts receivable at September 30, 2003.

Subscription receivables that are directly billed by the Company are valued and reported at the estimated future collection amount. Determining the expected collections requires an estimation of both uncollectible accounts and refunds. The net subscriptions receivable at September 30, 2003 was $214,994.

Accounts receivable at September 30, 2003 is summarized as follows:

<TABLE>
<CAPTION>

	Current	Long-Term	Total
<S>	<C>	<C>	<C>
Gross accounts receivable	$10,317,029	$1,518,251	$11,835,280
Allowance for doubtful accounts	(2,988,405)	(394,746)	(3,383,151)
Net	$ 7,328,624	$1,123,505	$ 8,452,129

</TABLE>

Certain receivables have been classified as long-term because issues arise whereby the billing companies change holdback terms and collection experience is such that collection can extend beyond one year.

The allowance for doubtful accounts is attributable to the following categories at September 30, 2003:

<TABLE>
<CAPTION>

<S>	<C>
Holdback reserves of Local Exchange Carriers	$2,221,441
Reserves held by active third party billing aggregators	757,673
Reserves held by inactive third party billing aggregator	154,037

Reserve for refunds	250,000
	$3,383,151

</TABLE>

4. INTELLECTUAL PROPERTY

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

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

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

In the year ended September 30, 2002, the former URL holder claimed that it was due additional amounts for the prior loan extensions. The Company reached a settlement with the former URL holder that required the Company to issue to the former URL holder, 4,000,000 shares of the Company's common stock, warrants to purchase 500,000 shares of the Company's common stock and a note payable for $550,000. The Company recorded an expense of approximately $917,000 related to the settlement representing the principal amount of the note payable, $360,000 as the fair value of the 4,000,000 common shares and $7,176 as the fair value of the warrants. The value of the common stock was determined on the basis of the quoted trading price of the shares on the date of the agreement. The fair value of the warrants was determined on the using the Black-Scholes option pricing model.

The URL is recorded at its cost net of accumulated amortization. Management believes that the Company's business is dependent on its ability to utilize this URL given the recognition of the Yellow page term. Also, its current customer base relies on the recognition of this term and URL as a basis for maintaining the subscriptions to the Company's service. Management believes that the current revenue and cash flow generated through use of Yellow-page.net supports the carrying of the asset. The Company periodically analyzes the carrying value of this asset to determine if impairment has

occurred. No such impairments were identified during the year ended September 30, 2003. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was $387,135 and $403,232 for the years ended September 30, 2003 and 2002 respectively.

During the year ended September 30, 2003, the Company acquired a three year license for the domain name, "YP.com" for $250,000 cash and 100,000 shares of the Company's common stock valued at $60,000.

The following summarizes the estimated future amortization expense related to intangible assets:

<TABLE>
<CAPTION>
<S> <C>

Years ended September 30,	
2004	$ 431,022
2005	398,528
2006	343,986
2007	236,212
2008	213,035
Thereafter	1,890,169
Total	$3,512,952

</TABLE>

5. PROPERTY AND EQUIPMENT

<TABLE>

<CAPTION>
Property and equipment consisted of the following at September 30, 2003:

Leasehold improvements	376,287
Furnishings and fixtures	167,706
Office and computer equipment	857,869
Total	1,401,862
Less accumulated depreciation	(670,720)
Property and equipment, net	$ 731,142

</TABLE>

6. NOTES PAYABLE AND LINE OF CREDIT

<TABLE>
<CAPTION>
Notes payable at September 30, 2003 are comprised of the following:

Note payable to former Telco stockholders, original balance of $550,000, interest at 10.5% per annum. Repayment terms require monthly installments of principal and interest of $19,045 beginning December 15, 2002. Stated maturity September 25, 2004. Collateralized by all assets of the Company.	$115,868

</TABLE>

The note payable to the former Telco stockholders totaled $550,000 at the beginning of the fiscal year ending September 30, 2002. In accordance with instructions that the Company received from said stockholders, the Company has made payments to third parties on behalf of the stockholders and applied those payments as reductions to the note payable. Said stockholders are not a part of management or on the Board of Directors of the Company. Payments on the note were accelerated at the option of the Company. Although the note calls for monthly payments of $19,045, the Company would not be required to make another payment until February 2004 under the original repayment provisions of the note. The full remaining balance of $115,866 is due in the year ended September 30, 2004.

7. PROVISION FOR INCOME TAXES

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

During the years ended September 30, 2003 and 2002, the Company structured certain transactions related to its merger with Telco that allowed the Company to utilize net operating losses that were previously believed to be unavailable or limited under the change of control rules of Internal Revenue Code 382. The deferred income tax asset of $1,471,000 related to these net operating losses recorded at September 30, 2001, was fully offset by a valuation allowance. The Company also amended prior year tax returns reflecting a higher net operating loss carryforward that had initially been estimated. The additional net operating loss carryforwards previously not recognized resulted in an income tax benefit of $979,000 that was utilized to offset some of the income tax provision for the year ended September 30, 2003. Additionally, as a result of these changes and the elimination of the valuation allowance an income tax benefit of $1,614,716 was recognized for the year ended September 30, 2002. At September 30, 2003 the Company had a federal net operating loss carryforward of $2,880,000 and no state net operating losses. Those operating loss carryforwards expire in 2019 and 2020.

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

<TABLE>
<CAPTION>

	2003	2002
Current Provision	$ 3,503,067	$ 486,243
Deferred (Beefit) Provision	(1,465,915)	(732,217)
Net income tax provision	$ 2,037,152	$(245,974)

</TABLE>

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

<TABLE>
<CAPTION>

<S>	2003 <C>	<C>	2002 <C>	<C>
Federal statutory rates	$ 3,387,140	34%	$ 1,173,166	34%
State income taxes	119,546	1%	241,534	7%
Utilization of valuation allowance	-	-	(1,471,141)	(43)%
Change in estimate of NOL due to changes in structuring and state income tax rates used	(1,465,381)	(15)%	(143,575)	(4)%
Other	(4,153)	-	(45,958)	(1)%
Effective rate	$ 2,037,152	20%	$ (245,974)	(7)%

</TABLE>

At September 30, 2003, deferred income tax assets and liabilities were comprised of:

<TABLE>
<CAPTION>

<S>	<C>
Deferred Income Tax Assets:	
Book/tax differences in accounts receivable	$1,184,103
Deferred compensation	372,532
Book/tax differences in intangible assets	72,140
Net operating loss carryforward	979,138
Total deferred income tax asset	2,607,913
Deferred Income Tax Liabilities:	
Book/tax differences in depreciation	10,006
Book/tax differences in customer acquisition costs	1,135,134
Total deferred income tax liability	1,145,140
Net income tax asset	$1,462,773

</TABLE>

During the year ended September 30, 2003, the Company moved certain operations and revenue generating assets to a state without corporate income taxes thereby reducing the statutory rate used for state income taxes.

During the year ended September 30, 2002, the valuation allowance was reduced by $1,471,000.

8. LEASES

The Company leases its office space and certain equipment under long-term operating leases expiring through fiscal year 2006. Rent expense under these leases was $222,418 and $145,052 for the years ended September 30, 2003 and 2002, respectively.

Future minimum annual lease payments under operating lease agreements for years ended September 30 are as follows:

<TABLE>
<CAPTION>

<S>	<C>
2004	$ 427,597
2005	383,679
2006	292,125
Total	$1,103,401

</TABLE>

9. STOCKHOLDERS' EQUITY

Common Stock Issued for Services

The Company has historically granted shares of its common stock to officers, directors and consultants as payment for services rendered. The value of those shares was determined based on the trading value of the stock at the dates on which the agreements were made for the services. During the year ended September 30, 2003, the Company issued 6,300,000 shares of common stock to officers and directors, or entities controlled by those individuals, valued at $478,750. Additionally, shares were granted under the Company's Restricted Stock Plan (see Note 14).

During the year ended September 30, 2002, the Company issued 100,000 shares

of common stock to officers, directors and consultants valued at $9,000

Common Shares Received and Retired Under Legal Settlements

The Company made claims against numerous parties for return of common shares issued to consultants by former management. Some of these claims resulted in litigation. During the years ended September 30, 2003 and 2002, the Company settled with several of those parties resulting in 468,216 and 250,000 shares in 2003 and 2002, respectively, of

the Company's common stock being returned and placed in treasury. These transactions have been recognized as other income of $473,884 and $267,675 in the accompanying statements of operations for the years ended September 30, 2003 and 2002, respectively. The rescissions of the underlying consulting agreements and return of the common stock were recorded at the value of the original transactions that were rescinded, that is, the recorded expense for the original issuance of the shares was, in effect, reversed in the years ended September 30, 2003 and 2002. The majority of the shares were originally issued as consideration under consulting agreements entered into in the years ended September 30, 1999 and 2000.

Common Stock Issued for URL

During the year ended September 30, 2003, the Company acquired a three year license for the domain name, "YP.com" for $250,000 cash and 100,000 shares of the Company's common stock valued at $60,000.

Series E Convertible Preferred Stock

During the year ended September 30, 2002, the Company created a new series of capital stock, the Series E Convertible Preferred Stock. The Company authorized 200,000, $0.001 par value shares. The shares carry a $0.30 per share liquidation preference and accrue dividends at the rate of 5% per annum on the liquidation preference per share, payable quarterly from legally available funds. If such funds are not available, dividends shall continue to accumulate until they can be paid from legally available funds. Holders of the preferred shares shall be entitled, after two years from issuance, to convert them into common shares on a one-to-one basis together with payment of $0.45 per converted share.

During the year ended September 30, 2002, pursuant to an existing tender offer, holders of 131,840 shares of the Company's common stock exchanged said shares for an equal number of the Series E Convertible Preferred shares, at the then $0.085 market value of the common stock. As of September 30, 2003, the liquidation preference value of the outstanding Series E Convertible Preferred Stock was $39,552, and dividends totaling $2,472 had been accrued associated with said shares.

Treasury Stock

The Company typically retains the shares acquired in settlements and rescissions of the consulting agreements discussed above as treasury stock. During the year ended September 30, 2003, the Company acquired 468,216 shares of its common stock in rescissions of such agreements. Those shares are recorded at the value at which they were originally issued. Also, during the year ended September 30, 2003, the Company acquired 500,000 shares of its common stock from a former consultant to the Company for $45,000, which was the approximate trading value of those shares at the time the settlement was reached. At September 30, 2003, there were 6,704,334 shares of stock held in treasury.

10. COMMITMENTS AND CONTINGENCIES

Telco Billing

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

The "Put" feature has renegotiated and retired. As part of the renegotiated settlement, the Company provided a credit facility of up to $20,000,000 to the former Telco shareholders, collateralized by the stock held by these shareholders, with interest at least 0.25 points higher than the Company's average cost of borrowing. Additional covenants warrant

that no more that $1,000,000 can be advanced at any point in time and no

advances can be made in excess with out allowing at least 30 days operating cash reserves or if the Company is in an uncured default with any of its lenders. At September 30, 2003, the Company had advanced $2,126,204 under this agreement. The former Telco shareholders have been making interest payments on the advances but, as allowed under the agreement, have not made any principal repayments.

Subsequent to September 30, 2003, the Company and the former Telco shareholders agreed to amend the arrangement whereby the Company will be required to advance only an additional $1,300,000 through April 2004 and the ability to draw on that facility will cease at that time. However, the Company made a commitment in connection with that amendment to begin paying dividends to all of its common stockholders in the fiscal year ended September 30, 2004.

Billing Service Agreements

The Company has entered into a customer billing service agreement with EBillit, Inc. (EBI). EBI provides billing and collection and related services associated to the telecommunications industry. The agreement term is for two years, automatically renewable in two-year increments unless appropriate notice to terminate is given by either party. The agreement will automatically renew on September 1, 2005, unless either party gives notice of termination 90 days prior to that renewal date. Under the agreement, EBI bills, collects and remits the proceeds to Telco net of reserves for bad debts, billing adjustments, telephone company fees and EBI fees. If either the Company's transaction volume decreases by 25% from the preceding month, less than 75% of the traffic is billable to major telephone companies, EBI may at its own discretion increase the reserves and holdbacks under this agreement. EBI handles all billing information and collection of receivables. The Company's cash receipts on trade accounts receivable are dependent upon estimates pertaining to holdbacks and other factors as determined by EBI. EBI may at its own discretion increase the reserves and holdbacks under this agreement.

The Company has also entered into an agreement with ACI Communications, Inc. ACI provides billing and collection and related services associated to the telecommunications industry.

These agreements with the billing companies provide significant control to the billing companies over cash receipts and ultimate remittances to the Company. The Company estimates the net realizable value of its accounts receivable on historical experience and information provided by the billing companies reflecting holdbacks and reserves taken by the billing companies and LEC's.

Line of Credit Facilities

The Company has a line of credit arrangement with a financial institution for a total of $250,000. Interest on borrowings is at the prime rate plus 0.5%. The facility expires in May 2004. There were no outstanding borrowings under this arrangement at September 30, 2003.

The Company also has a facility to borrow from a financial institution that allows borrowings based on qualifying trade accounts receivable. The advances made under the arrangement are made on a basis of individually negotiated transactions. The advances are generally short-term, being repaid within 30 to 60 days. Advances are limited to $150,000 and accrued interest at an effective rate of 1% per month. There is no specified expiration date on the facility. There were no outstanding borrowings under this arrangement at September 30, 2003.

Other

The Company's Board of Directors has committed the Company to pay for the costs of defending a civil action filed against its CEO and Chairman. The action involves a business that the CEO was formerly involved in. The Company and at least one officer have received subpoenas in connection with this matter and the Board believes that it is important to help resolve this matter as soon as possible. The Board action includes the payment of legal and other fees for any other officers and directors that may become involved in this civil action. Through September 30, 2003, the Company has paid $732,500 on behalf of its CEO relative to this matter. This amount is presented as compensation expense within general and administrative expenses in the accompanying statement of operations for the year ended September 30, 2003.

The Company believes that all civil actions against the CEO related to this matter have been dismissed subsequent to September 30, 2003. However, additional legal costs will be incurred to address all matters in finalizing this issue and, at this time, the Company cannot estimate what additional costs may be incurred to continue covering the costs related to this matter, but all such costs shall be deemed to be additional compensation to the CEO. There can be no assurance that the Company may not be named a defendant in this action in the future.

The Company has entered into "Executive Consulting Agreements" with four entities controlled by four of the Company's officers individually. These

agreements call for fees to be paid for the services provided by these individuals as officers of the Company as well as their respective staffs. These agreements are not personal service contracts of these officers individually. The agreements extend through 2007 and require annual performance bonuses that aggregate up to approximately $320,000 depending upon available cash and meeting of certain performance criteria.

The Company is named as a defendant in proceedings that including alleged wrongful discharge of certain former employees and a purported class action proceeding related to the Company's mailings of marketing materials. The Company intends to defend these actions and does not believe that these claims have merit nor will the resolution of such have a material adverse effect on the Company's financial condition and results of operations.

The Company has entered into several agreements with third parties to distribute and enhance the services its provides to its customers. These agreements have terms for up to three years and call for payments of approximately $110,000 per month. Generally these agreements are cancelable within 30 to 60 days upon written notice from either party.

11. NET INCOME PER SHARE

Net income per share is calculated using the weighted average number of shares of common stock outstanding during the year. Preferred stock dividends are subtracted from the net income to determine the amount available to common shareholders. There were $1,978 and $494 preferred stock dividends in the years ended September 30, 2003 and 2002, respectively. Warrants to purchase 500,000 shares of common stock were excluded from the calculation for the year ended September 30, 2002. The exercise price of those warrants was greater than the average trading value of the common stock and therefore inclusion of such would be anti-dilutive. Also excluded from the calculation were 131,840 shares of Series E Convertible Preferred Stock issued during the year ended September 30, 2002, which are considered anti-dilutive due to the cash payment required by the holders of the securities at the time of conversion.

The following presents the computation of basic and diluted loss per share from continuing operations:

<TABLE>
<CAPTION>

	2003			2002		
	Income	Shares	Per Share	Income	Shares	Per share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income	$7,923,891			$ 3,696,463		
Preferred stock dividends	(1,978)			(494)		
Income available to common Stockholders	$7,921,913			$ 3,695,969		
BASIC EARNINGS PER SHARE:						
Income available to common stockholders	$7,921,913	45,090,877	$ 0.18	$3,695,969	41,474,180	$0.09
Effect of dilutive securities	N/A			N/A	N/A	
DILUTED EARNINGS PER SHARE	$7,921,913	45,090,877	$ 0.18	$3,695,969	41,474,180	$0.09

</TABLE>

12. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2003 and 2002, the Company entered into the related party transactions with Board members, officers and affiliated entities as described below:

Directors & Officers

Board of Director fees for the years ended September 30, 2003 and 2002 were $160,000 and $101,120 respectively. These amounts are in addition to the amounts discussed below. At September 30, 2002, $40,000 of the 2002 amount was accrued but unpaid. The Company also granted 50,000 shares of common stock to a director as part of their Board of Director fees for the year ended September 30, 2002.

During the year ended September 30, 2002, the Company had made loans to its Chief Executive Officer and its former Chief Financial Officer. The Board of Directors approved the loans as part of the officers' respective compensation packages. The loans carried an 8% interest rate and were collateralized by shares of Company common stock owned by the officers' valued at the greater of $1.00 per share or the current market price of the shares. The loans to the CEO and former CFO totaled approximately $200,000 and $17,000 respectively. At September 30, 2002, the loan to the CEO was

repaid. In May 2002, the former CFO resigned.

The CEO, Executive Vice President of Marketing, Corporate Secretary/Vice President of Corporate Image and CFO are paid for their services and those of their respective staffs through separate entities controlled by these individuals which pre-date their association with the Company. The following describes the compensation paid to these entities.

Sunbelt Financial Concepts, Inc.

Sunbelt Financial Concepts, Inc. ("Sunbelt") provides the services of the Chairman and CEO and his staff to the Company.

Sunbelt provides the strategic and overall planning as well as the operations management to the Company. Sunbelt's team is experienced in all areas of management and administration.

During the year ended September 30, 2003, the Company paid a total of approximately $1,933,000 to Sunbelt. That amount includes $410,054 as reimbursement of legal fees incurred by Sunbelt related to the personal legal matters discussed in Note 10. Also included in that amount is $597,000 in fees for services rendered by Sunbelt. Additionally, the CEO and Sunbelt were awarded grants of the Company's common stock valued at approximately $603,000. Approximately $443,322 (including the taxes on these amounts) of the total remains accrued at September 30, 2003.

Advertising Management Specialists, Inc.

Advertising Management Specialists, Inc. ("AMS") provides the services of the Executive Vice President of Marketing, a Director of the Company, and his staff to the Company. AMS is a marketing and advertising company 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. AMS' president is a director of the Company.

The Company outsources the design and testing of its many direct mail pieces to AMS for a fee. AMS is also solely responsible for the new products that have been added to the Company's website and is working on new mass-market products to offer the Company's customers.

Total amount paid and accrued to this director and AMS during the year ended September 30, 2003 was $957,000. Of that amount, $477,000 was compensation for services and a stock award valued at $480,000. Of the total, $125,816 is accrued at September 30, 2003.

Advanced Internet Marketing, Inc.

Advanced Internet Marketing, Inc. ("AIM") provides the services of the Vice President of Corporate Image, a Director of the Company, and his staff to the Company. The Company outsources the design and marketing of it's website on the World Wide Web to AIM. AIM's team of designers are experienced in all areas of web design and has created all of the Company's logos and images for branding.

The total amount paid and accrued to AIM during the year ended September 30, 2003 was $754,750. Of that amount, $74,750 was compensation for services and a stock award valued at $480,000. Of the total, $98,294 is accrued at September 30, 2003.

MAR & Associates

The services of the Company's Chief Financial Officer and his staff are paid to MAR & Associates ("MAR"). The total amount paid and accrued to MAR during the year ended September 30, 2003 was $851,000. Of that amount, $215,000 was compensation for services and a stock award valued at $636,000. Of the total, $46,198 is accrued at September 30, 2003.

Other

The Company made additional advances to former Telco shareholders of $1,800,000 during the year ended September 30, 2003. Interest earned on these advances was $92,245 for the year ended September 30, 2003. Advances to affiliates are summarized as follows at September 30, 2003:

Morris & Miller	$1,089,485
Mathew & Markson	1,036,719
Total	$2,126,204

On December 22, 2003, the Company entered into an agreement with the former Telco shareholders that terminates the line of credit agreement effective April 9, 2004.

Simple.Net, Inc. ("SN")

The Company has contracted with Simple.Net, Inc. ("SN"), an internet service provider owned by a director of the Company, to provide internet dial-up and other services to its customers. SN has sold said services to the Company at below market rate prices from time to time. During the years ended September 30, 2003 and 2002, the Company paid SN approximately $419,000 and $55,000, respectively for said services. At September 30, 2003, $80,000 due SN was accrued in accounts payable.

In addition, SN pays a monthly fee to the Company for technical support and customer service provided to SN's customers by the Company's employees. The Company charges SN for these services according to a per customer pricing formula:

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.

For the years ended September 30, 2003 and 2002, the Company recorded revenues of approximately $618,611 and $300,901, respectively, from SN for these services.

Prior to July 2002, the Company provided accounting functions to SN for a $2,500 monthly fee. This arrangement was canceled in July 2002.

13. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at banks in Arizona. Accounts are insured by the Federal Deposit Insurance Corporation up to $100,000. At September 30, 2003, the Company had bank balances exceeding those insured limits of $2,255,000.

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily trade accounts receivable. The trade accounts receivable are due primarily from business customers over widespread geographical locations within the LEC billing areas across the United States. The Company historically has experienced significant dilution and customer credits due to billing difficulties and uncollectible trade accounts receivable. The Company estimates and provides an allowance for uncollectible accounts receivable. The handling and processing of cash receipts pertaining to trade accounts receivable is maintained primarily by two third party billing companies. The Company is dependent upon these billing companies for collection of its accounts receivable. As discussed in Note 3, the net receivable due from a single billing services provider at September 30, 2003 was $6,457,998, net of an allowance for doubtful accounts of $2,269,027. The net receivable from that billing services provider at September 30, 2003, represents approximately 76% of the Company's total net accounts receivable at September 30, 2003.

14. STOCK BASED COMPENSATION

During the year ended September 30, 2002, the Company's shareholders approved the 2002 Employees, Officers & Directors Stock Option Plan (the 2002 Plan). Under the 2002 Plan, the total number of shares of common stock that may be granted is 3,000,000. The Plan provides that shares granted come from the Corporation's authorized but unissued common stock. The price of the options granted under this plan shall not be less than 100% of the fair market value, or in the case of a grant to a principal shareholder, not less than 110% of the fair market value of such common shares at the date of grant. The options expire 10 years from the date of grant. At September 30, 2002, no stock options had been granted under the 2002 Plan.

During the year ended September 30, 2003, the Company's Board of Directors and a majority of it shareholders voted to terminate the 2002 Plan and approved the Company's 2003 Stock Plan ("2003 Plan"). The 3,000,000 shares of Company common stock previously allocated to the 2002 Plan were re-allocated to the 2003 Plan. Substantially all Company employees are eligible to participate in the plan. On August 12, 2003, 2,048,000 shares authorized under the 2003 Plan were granted in the form of Restricted Stock. These shares of Restricted Stock were granted to the Company's service providers as well as the Company's executives. Of the 2,048,000 shares of Restricted Stock granted, 1,049,000 shares vest at the end of three years, an additional 599,000 shares vest either at the end of ten years or upon the Company's common stock attaining an average bid and ask price of $10 per share for three consecutive trading days and an additional 400,000 shares vest upon the common stock attaining various average bid and ask prices with 80,000 shares vesting for each $1 price increase at prices beginning from $5 per share up to $9 per share. The vesting of all shares of Restricted Stock accelerates upon a Change of Control, as defined in the 2003 Plan. The value of the shares granted was $2.02 per share, the trading value of the shares on the grant date. The Company deferred the expense and is recognizing the expense over the vesting periods. During the year ended September 30, 2003, the Company expensed $154,482 under the 2003 Plan. Of the 2,048,000 granted in August 2003, 75,000 of those shares were forfeited unvested as of September 30, 2003.

Under the Employee Incentive Stock Option Plan approved by the stockholders in 1998, the total number of shares of common stock that may be granted is

1,500,000. The plan provides that shares granted come from the Corporation's authorized but unissued common stock. The price of the options granted pursuant to this plan shall not be less than 100 percent of the fair market value of the shares on the date of grant. The options expire from five to ten years from date of grant. At September 30, 2002, the Company had granted an aggregate of 1,212,000 options under this plan, all of which had expired as of September 30, 2001.

In addition to the Employee Incentive Stock Option Plan, the Company will occasionally grant options to consultants and members of the board of directors under specific stock option agreements. There were no such options granted in the years ended September 30, 2003 and 2002.

At September 30, 2003, there were no options exercisable or outstanding. No options were granted in the years ended September 30, 2003 and 2002.

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

<TABLE>
<CAPTION>

<S>	2003 <C>	Weighted Average Exercise Price <C>	2002 <C>	Weighted Average Exercise Price <C>
Warrants outstanding at beginning of year	500,000	$2.12	500,000	$2.12
Granted	-0-	-0-		
Expired	-0-	-0-		
Exercised	-0-	-0-		
Outstanding at September 30,	500,000	$2.12	500,000	$2.12

</TABLE>

The warrants granted in the year ended September 30, 2001 were issued in connection with the settlement with the former URL holder (NOTE 4). The exercise prices of the warrants range from $1.00 to $3.00. The fair values of these warrants were estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	None
Volatility	0.491
Risk free interest rate	4.18%
Expected asset life	2.5 years

The 500,000 warrants outstanding at September 30, 2003, expire in September 2006.

15. EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) profit sharing plan for its employees. Employees are eligible to participate in the plan upon reaching age 21 and completion of three months of service. The Company made contributions of $5,427 and $3,400 to the plan for the years ended September 30, 2003 and 2002, respectively.

16. OTHER INCOME

Other income for the years ended September 30, 2003 and 2002, includes gains of $473,884 and $267,000, respectively related to the rescission of consulting contracts. Additionally, other income for the year ended September 30, 2003 includes $618,000 of income earned from an affiliate for technical services provided to that affiliate. The total income is reduced by expenses incurred in other legal settlements. Also, in the year ended September 30, 2002, is a gain of $130,000, net of legal costs, resulting from the settlement of a dispute with one of the Company's former billing companies.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The Company's Board of Directors currently consists of five members with each member serving for a one year term. In connection with an Annual Meeting of Stockholders scheduled for April 2, 2004, we are asking our stockholders to approve a proposal that would create a classified board consisting of three different classes of directors serving for staggered terms. There are no arrangements or understandings between any of the directors or any other persons pursuant to which any of the directors have been selected as directors, other than as described below. There are no "family relationships" among the directors, as that term is defined by the Securities and Exchange Commission ("SEC"). Set forth below is our current Board of Directors, including their age

and positions with the Company, each as of September 30, 2003, as well as the anticipated class in which they would serve and the length of their term should they be elected.

NAME OF NOMINEE	CLASS	TERM	AGE	TITLE
Angelo Tullo	I	2007	47	Chairman of the Board of Directors, Chief Executive Officer and President
DeVal Johnson	I	2007	37	Director and Secretary
Peter Bergmann	II	2006	54	Director
Daniel L. Coury, Sr.	II	2006	49	Director
Gregory B. Crane	III	2005	39	Director

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 has been the president of Sunbelt Financial Concepts, Inc., an investment banking and consulting firm in Scottsdale, Arizona, since December 14, 1999. From January 1997 to December 1999, Mr. Tullo was President and a director of American Business Funding Corp., which was in the business of accounts receivable factoring for small and medium sized businesses. For over twenty years, Mr. Tullo has been active as a business consultant. Mr. Tullo has actively worked in the areas of 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 currently is a member and honorary Mesa Chairman of the Presidential Business Roundtable Committee and the Turnaround Management Association.

Mr. Tullo has been involved with a number of corporate turnaround situations in which the companies he was associated with faced difficult financial circumstances. He has been successful with most of these difficult situations. However, in February 2000, after Mr. Tullo had departed, 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 Corp. prior to the time of its bankruptcy filing. American Business Funding has successfully emerged from Chapter 11 bankruptcy with an approved plan that fully repays all creditors.

DEVAL JOHNSON. Mr. Johnson has served as a director since October 1999. Currently, Mr. Johnson serves as Corporate Secretary and Vice President and has served in those capacities since January 2002 and June 2002, respectively. Prior to the acquisition of Telco Billing, Inc., our wholly owned subsidiary, Mr. Johnson was part of the team that created what is now the YP.Com concept. Mr. Johnson started with Telco in 1997. When Telco

Billing was acquired in June 1999, Mr. Johnson left to create Simple.Net, an Internet service provider. In October 1999, Mr. Johnson was asked to return to serve as a Director of the Company, whereupon he was instrumental in refocusing the Company on its newly acquired business, which resulted in the corporate name change to YP.Net, Inc. Since that time, Mr. Johnson has been the art director responsible for the design of the in-house sales presentations, creation of the corporate logo(s) and image for YP.Net and directs the team that creates and manages our web presence. In 2001, Mr. Johnson consolidated his other business interests, GraffitiWorx, a graphic design firm and SiteForce, a web site design firm, into Advanced Internet Marketing, Inc. to provide design and marketing services to a variety of companies. Mr. Johnson continues to offer these services to the Company. Prior to 1997, Mr. Johnson created the PrintPro franchise concept for Design Concept Printing & Signs, Inc. and headed up their graphic design department. Mr. Johnson is actively involved with web site promotion, interactive design, Internet advertising and public relations. Mr. Johnson continues his business Simple.Net where he serves as an officer and director.

GREGORY B. CRANE. Mr. Crane has been a director of YP.Net since February 2000. Since September 2003 he had served as Chief Operating Officer of Telco Billing, our wholly owned subsidiary and the entity out of which we conduct most of our operations. Mr. Crane served as the Company's Director of Operations from February 2000 to September 2000. Mr. Crane has served as President of Advertising Management and Consulting Services, Inc. ("AMCS") since January 29, 2001. AMCS provides marketing and administrative services, as well as personnel, to the Company. From mid-1997 to December 2002, Mr. Crane served as a marketing consultant to Business Executive Services, Inc. ("BESI"), a direct mail management and processing company. From September 1998 to June 1999, Mr. Crane was the General Manager of Telco Billing. Mr. Crane has owned and operated several businesses, including residential and commercial builders, multi-state mail order, and document-preparation companies, and also was the creator of the Yellow-Page.Net concept. Mr. Crane is a former member of the Young Entrepreneur's Organization.

In connection with a former business of Mr. Crane, State Recording Services, Inc., which provided homestead declaration document preparation and filing services, Mr. Crane and that business were subject to injunctive actions brought by the state of Florida as a result of complaints relating to the presentation of solicitation mailers. Mr. Crane voluntarily entered into a consent order with

the State of Florida that required him to supply a copy of the mailer to be printed within 14 days prior to its mailing, as well as the payment of civil penalties, restitution, and attorneys' fees if he were to violate the order in the future. The order was violated due to an error in type size made by a printing company hired by Mr. Crane's business. The printing company has admitted its responsibility for this error. Despite the printing company's admission, Mr. Crane was subject to a judgment, dated February 1998, in the amount of approximately $1.4 million, plus accrued interest. However, because of the printing company's admission, the State of Florida took no action on this matter, which was finally vacated in June 2003.

Because Mr. Crane had been an employee of Telco Billing, Inc. prior to its acquisition by the Company, Mr. Crane was named in an action filed by the United States Federal Trade Commission ("FTC") against the Company in June 2000 concerning actions taken by prior management of the Company. None of the Company's current management was either present for or involved with the actions that were the basis for the FTC's complaint. The actions of the prior management involved the presentation of direct mail solicitations. Mr. Crane has been included in the Stipulated Preliminary Order entered into by the FTC and the Company 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 Billing, the Company and others (the "Order") places certain restrictions on the way mail solicitations will appear. The U.S. District Court has approved the Order and the matter is closed with no findings of wrong doing on the part of Mr. Crane, the Company, or its officers and directors.

DANIEL L. COURY, SR. Mr. Coury has served as a director of YP.Net since February 2000. For the last twelve years, Mr. Coury has served as President and Chairman of Mesa Cold Storage, Ltd., which owns and operates the largest cold storage facilities in Arizona. Between 1990 and the present, Mr. Coury has developed an additional 4.6

million cubic feet of modern, state of the art cold storage facilities in Mesa and Tolleson, Arizona. Before Mr. Coury purchased Mesa Cold Storage, he had experience in international trade, real estate development, real estate exchanges and serving as a consultant to the family businesses, which include five General Motors dealerships, numerous commercial and residential developments and mortuary services.

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., a television development and production company, which he founded. 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 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. 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, and 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.

EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

Our management consists of the following personnel, in addition to Angelo Tullo, our Chief Executive Officer and President and DeVal Johnson, our Secretary, both of whom are named above as Directors.

NAME	AGE	POSITION
David J. Iannini	44	Chief Financial Officer
John Raven	39	Chief Technology Officer

DAVID J. IANNINI. Mr. Iannini has served as our Chief Financial Officer since August 2002. Mr. Iannini was employed as Treasurer and Vice President of Corporate Development of Viad Corp, a publicly held company, from July 1999 to June 2002. Viad Corp. is a diversified service business with operating companies involved in the financial services, convention, travel and other businesses. Mr. Iannini was an investment banker from August 1986 to July 1999, primarily with Salomon Brothers, Inc. Mr. Iannini received his Masters in Business Administration, Summa Cum Laude, from the Anderson Graduate School of Management at U.C.L.A. Prior to his graduate studies, he worked with a Big Five accounting firm and is a certified public accountant. Mr. Iannini received his Bachelors of Science degree, Magna Cum Laude, in Accounting from Boston College in 1981.

JOHN RAVEN. Mr. Raven was appointed Chief Technology Officer for YP.Net, Inc. in September 2003. Mr. Raven has over ten years experience in the technology arena and 16 years of overall leadership experience working with companies such as

Perot Systems (PER) where he worked in 2003 and managed 640 staff members, Read-Rite Corp (RDRT) where he worked from 2000 to 2003, as well as Cap Gemini Ernst & Young (CAPMF) where he worked from 2000 to 2002. Mr. Raven also served as Director of Information Technology at Viacom's ENG Network division where he worked from 1996 to 1999. Mr. Raven has experience in software engineering, data and process architecture, systems development, and database management systems. At NASA's Jet Propulsion Laboratory, where he worked from 1993 to 1996, Mr. Raven was a team member and information systems engineer for the historic 1997 mission to Mars conducted with the Pathfinder space vehicle and the Sojourner surface rover. Mr. Raven received his Bachelors of Science in Computer Science from the California Institute of Technology in 1991. His certifications include Cisco Internetwork Engineer, Project Management from the

Project Management Institute, Certified Project Manager from Perot Management Methodology Institute, Microsoft Certified System Engineer, and Certified Novel Engineer.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors, and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Executive officers, directors, and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by it during the year ended September 30, 2003, we believe that, during such year our executive officers, directors and ten percent stockholders complied with all such filing requirements except that Mr. Bergmann filed a late Form 4 relating to the purchase of 1,000 shares of the Company's common stock and the receipt of 150,000 shares of restricted stock pursuant to the 2003 Stock Plan and Mr. Coury filed a late Form 4 relating to the receipt of 150,000 shares of restricted stock pursuant to the 2003 Stock Plan. The required filings were eventually filed to reflect these transactions.

CODE OF ETHICS

We have not yet adopted a corporate code of ethics due to the substantial number of other items we are currently addressing in an effort to fully comply with the provisions imposed by Sarbanes-Oxley. Our board of directors is considering, over the next year, establishing a code of ethics to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of February 1, 2004, with respect to (i) each person known to the Company to be the beneficial owner of more than 5% of the Company's common stock; (ii) each Named Executive Officer; (iii) each director of the Company; and (iv) all Named Executive Officers and directors of the Company as a group. The information as to beneficial ownership was furnished to us by or on behalf of the persons named. Unless otherwise indicated, the business address of each person listed is 4840 East Jasmine Street, Suite 105, Mesa, Arizona 85205.

<TABLE>
<CAPTION>

Name	Shares Beneficially Owned	Percentage of Shares Outstanding (1)
Angelo Tullo (2)	4,325,000	8.9%
Gregory B. Crane (3)	1,277,500	2.6%
DeVal Johnson (4)	1,329,000	2.7%
David J. Iannini (5)	600,000	1.2%
John Raven	100,000	*
Daniel L. Coury, Sr.	200,000	*
Peter Bergmann	201,000	*
Mathew and Markson Ltd. (6) (7)	10,575,062	21.8%
Morris & Miller Ltd. (6)	10,350,000	21.3%
Sunbelt Financial Concepts, Inc. (8)(9)	4,325,000	8.9%
All executive officers and directors as a group (7 persons).	7,982,500	16%

<FN>

* Represents less than one percent (1%) of our issued and outstanding common stock.

---

(1) Based on approximately 48,860,802 shares outstanding as of February 1, 2004. This amount includes 2,000,000 shares issued and held as collateral

for obligations of the Company under two promissory notes. Upon timely payment of the notes, the shares will be returned to the Company for cancellation.

(2) Of the number shown, 3,875,000 shares are owned by Sunbelt Financial Concepts, Inc., which are also shown separately in this table. While Mr. Tullo is the President of Sunbelt, he has no ownership interest in Sunbelt. Mr. Tullo does, however, have dispositive power over the shares of Common Stock owned by Sunbelt. Mr. Tullo disclaims beneficial ownership of the shares owned by Sunbelt except to the extent of any proportionate interest therein.

(3) Of the number shown, 1,000,000 shares are owned by Advertising Management and Consulting Services, Inc. ("AMCS"). While Mr. Crane is the President of AMCS, he has no ownership interest in AMCS. As President of AMCS, however, he shares dispositive power over the stock owned by AMCS. Mr. Crane disclaims beneficial ownership of the shares owned by AMCS except to the extent of any proportionate interest therein.

(4) Of the number shown, 1,004,000 shares are owned by Advanced Internet Marketing, Inc. ("AIM") Mr. Johnson is President of AIM and his minor children are the beneficiaries of the trust that owns AIM. Mr. Johnson disclaims beneficial ownership of the shares owned by AIM except to the extent of any proportionate interest therein.

(5) Of the number shown, 250,000 shares are owned by Mar & Associates ("Mar").

(6) Address is Woods Centre, Friar's Road, P.O. Box 1407, St. John's, Antigua, West Indies.

(7) The number of shares held by Mathew and Markson, Ltd. includes 2,000,000 shares issued as collateral for a debt owed by the Company. Mathew and Markson has voting control of these shares. These shares will be returned to the Company and cancelled upon timely payment of the debt. Ilse Cooper, is the control person for both Mathew and Markson and Morris & Miller.

(8) Of the number shown, 3,875,000 are owned by Sunbelt and 450,000 shares are owned directly by Mr. Tullo. Of the 450,000 shares owned directly by Mr. Tullo, 150,000 shares were granted as restricted stock under our 2003 Stock Plan. Hickory Management is the owner of Sunbelt and J.C. McDaniel, Esq. is the control person.

(9) Address is 4710 E. Falcon Drive, #204A, Mesa, Arizona, 85215.
</TABLE>

EQUITY COMPENSATION PLAN INFORMATION

We maintain the 2003 Stock Plan pursuant to which we may grant equity awards to eligible persons. The following table gives information about equity awards under the Company's Plan.

<TABLE>
<CAPTION>

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
<S>	<C>	<C>	<C>
Equity compensation plans approved by security holders (1)	2,269,000 (2)	N/A	731,000
Equity compensation plans not approved by security holders	0	N/A	0
Total	2,269,000	N/A	731,000

<FN>

1 The 2003 Stock Plan was approved by written consent of a majority of the Company's stockholders on July 21, 2003.

2 This number represents the number of shares of restricted stock granted to eligible persons under the Plan.
</TABLE>

Our 2003 Stock Plan

During the year ended September 30, 2002, our stockholders approved the 2002 Employees, Officers & Directors Stock Option Plan (the "2002 Plan"), which was

intended to replace our 1998 Stock Option Plan (the "1998 Plan"). The 2002 Plan was never implemented, however, and no options, shares or any other securities were issued or granted under the 2002 Plan. There were 3,000,000 shares of our common stock authorized under the 2002 Plan,

which were to come from our authorized but unissued common stock. On June 30, 2003 and July 21, 2003, respectively, our Board of Directors and a majority of our stockholders terminated both the 1998 Plan and the 2002 Plan and approved our 2003 Stock Plan. The 3,000,000 shares of common stock previously allocated to the 2002 Plan were re-allocated to the 2003 Plan.

In December, 2003, our Board of Directors approved, subject to stockholder approval, an amendment to the Plan to increase the aggregate number of shares available thereunder by 2,000,000 shares in order to have an adequate number of shares available for future grants. As of February 1, 2004, a total of 2,259,000 shares of restricted stock had been issued under the Plan and were no longer available for grant, and a total of 741,000 shares remained available for additional grants, prior to giving effect to the proposed increase. The Board of Directors believes that it is in the Company's best interests to be able to continue to create equity incentives to assist in attracting, retaining, and motivating the key executives, service providers and consultants.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

AGREEMENTS WITH EXECUTIVE OFFICERS

We have entered into the following Executive Consulting Agreements with entities controlled or owned by Messrs. Tullo, Crane, Johnson and Iannini. Each of these agreements is dated as of September 20, 2002 and has a five year term, with the exception of the agreement entered into with Mar & Associates, Inc., the entity controlled by Mr. Iannini, which was dated as of May 1, 2003 and has a term of 55 months.

These agreements are not personal service contracts to the respective executive officers. The amounts paid to these entities support multiple personnel employed by the consulting entities, as well as costs associated with the provision of the specified services. The individuals deployed by the consulting entities include skilled support staff with many years of experience working as a team, both within their own entities, as well as between entities. The Named Executive Officers and their respective consulting entities provide a wealth of experience in turnaround and restructuring situations, as well as solid track records of operating successful companies. Our Board of Directors believes that these arrangements are beneficial to the Company and in the best interests of our stockholders given the breadth of support and depth of knowledge and expertise that each consulting entity brings to bear through its respective support teams.

Sunbelt Financial Concepts, Inc.

Mr. Tullo, our Chief Executive Officer, is the President of Sunbelt Financial Concepts, Inc. ("Sunbelt"). The Sunbelt agreement provides that Mr. Tullo, through Sunbelt, will provide us with the services of Chief Executive Officer, Chairman and President among other administrative services and personnel. Pursuant to the Sunbelt agreement, Sunbelt originally received $32,000 per month during the first year of the agreement with a 10% annual increase in each succeeding year, as well as Board of Director fees, an annual bonus, and fees and reimbursements for certain ancillary items. The Sunbelt agreement also awarded Sunbelt 4,000,000 shares of the Company's common stock, grossed-up for taxes, subject to achieving certain performance goals for the Company in fiscal 2003, which were achieved.

As part of the Sunbelt agreement, a Flex Compensation program was instituted. This program provides Sunbelt with the ability to be paid up to $220,000 annually (increased by 10% on each anniversary date of the agreement) as additional compensation, subject to sufficient cash on hand at the Company. The taxes on the Flex Compensation, bonus and stock that is not issued under our 2003 Stock Plan are paid by the Company. In addition, the agreement contains a Due on Sale clause whereby, if there is a change of control of the Company, as defined, Sunbelt will receive the greater of 30% of the amounts due under the agreement or 12 months' worth of fees.

In fiscal 2002, Sunbelt was paid approximately $240,000 in fees, $15,000 in Flex compensation under the Flex Compensation program and $12,000 in director fees.

In fiscal 2003, Sunbelt was paid approximately $384,000 in fees, $220,000 in Flex compensation under the Flex Compensation program, $8,000 in director fees and $300,000 in common stock for services rendered by it through Mr. Tullo and his support staff. The Company also reimbursed Sunbelt $100,844 for income taxes pursuant to the agreement.

Sunbelt also was compensated approximately $410,054 in fiscal 2003 as reimbursed legal fees in connection with certain legal matters involving Mr. Tullo, as more fully described in our Annual Report accompanying this Proxy Statement.

We have has also entered into an agreement with Sunbelt, dated January 2002, wherein we lease two vehicles in the Company's name for the benefit of Sunbelt. Sunbelt pays the lease payments on the vehicles, which are $1,079 and $1,111 respectively. This agreement remains in effect until the conclusion of the respective leases, which expire in January 2005 and February 2005 respectively.

This arrangement was structured in this manner in an effort to assist the Company in establishing credit for future equipment purchases.

Advertising Management & Consulting Services, Inc.

Mr. Crane, our Executive Vice President of Marketing, Chief Operating Officer and a director, is the President of Advertising Management & Consulting Services, Inc. ("AMCS"). The AMCS agreement provides that Mr. Crane, through AMCS, will provide the Company with the services of director and Executive Vice President of Marketing, among other administrative services and personnel. Under the AMCS agreement, we outsource the design and testing of our many direct mail pieces to AMCS. As part of the AMCS agreement, AMCS originally received $32,000 per month with a 10% annual increase in each succeeding year, as well as Board of Director fees, an annual bonus, and fees and reimbursements for certain ancillary items. In addition, the AMCS agreement also awarded AMCS with 1,000,000 shares of the Company's common stock, grossed-up for taxes, subject to achieving certain performance goals for the Company in fiscal 2003, which were achieved.

As part of the agreement with AMCS, a Flex Compensation program was instituted. This program provides AMCS with the ability to be paid up to $50,000 per year (increased by 10% on each anniversary date of the agreement) as additional compensation, subject to sufficient cash on hand at the Company. The taxes on the Flex Compensation, bonus and stock that is not issued under our 2003 Stock Plan are paid by the Company. In addition, the agreement contains a Due on Sale clause whereby, if there is a change of control of the Company, as defined, AMCS will receive the greater of 30% of the amounts due under the agreement or 12 months' worth of fees.

In fiscal 2002, AMCS was paid approximately $237,000 in fees, $35,000 as an annual bonus, and $12,000 in director's fees. AMCS was also granted approximately $75,000 in restricted stock in fiscal 2002 as additional compensation.

In fiscal 2003, AMCS was paid approximately $384,000 in fees, $35,000 as an annual bonus, $50,000 in Flex compensation under the Flex Compensation program, $8,000 in directors fees and $75,000 in common stock for services rendered by it through Mr. Crane and his support staff. AMCS was also granted approximately $405,000 in restricted stock in fiscal 2003 as additional compensation.

Advanced Internet Marketing, Inc.

Mr. Johnson, our Executive Vice President of Corporate Image, is the President of Advanced Internet Marketing, Inc. ("AIM"). The AIM agreement provides that Mr. Johnson, through AIM, will provide the Company with the services of director, Corporate Secretary and Executive Vice President of Corporate Image, among other administrative and marketing services and personnel. In addition to the services discussed above, under the AIM agreement, we also outsource the design and some of the marketing of our website to AIM. All of these services are included under the agreement and for the fees described below. As part of the AIM agreement, AIM originally received $18,000 per month with a 10% annual increase in each succeeding year, as well as Board of Director fees, an annual bonus, and fees and reimbursements for certain ancillary items. In addition, the agreement also awarded AIM with 1,000,000 shares of Company common stock, grossed-up for taxes, subject to achieving certain performance goals for the Company in fiscal 2003, which were achieved.

As part of the agreement, a Flex Compensation program was instituted. This program provides AIM with the ability to be paid up to $30,000 annually (increased by 10% on each anniversary date of the agreement) as additional compensation, subject to sufficient cash on hand at the Company. The taxes on the Flex Compensation, bonus and stock that is not issued under our 2003 Stock Plan are paid by the Company. In addition, the agreement contains a Due on Sale clause whereby, if there is a change of control of the Company, as defined, AIM will receive the greater of 30% of the amounts due under the Agreement or 12 months' worth of fees.

In fiscal 2002, AIM was paid approximately $113,800 in fees, $20,000 as an annual bonus, and $12,000 in director's fees. AIM was also granted approximately $75,000 in restricted stock in fiscal 2002 as additional compensation.

In fiscal 2003, AIM was paid approximately $274,750 in fees, $35,000 as an annual bonus, $30,000 in Flex compensation under the Flex Compensation program, $8,000 in directors fees and $75,000 in common stock for services rendered by it through Mr. Johnson and his support staff. AIM was also granted approximately $405,000 in restricted stock in fiscal 2003 as additional compensation.

Mar & Associates, Inc.

Mr. Iannini, our Chief Financial Officer, is the President of Mar & Associates, Inc. ("MAR"). The MAR Agreement provides that Mr. Iannini, through MAR, will provide the Company with the services of Chief Financial Officer, among other administrative services. As part of the MAR Agreement, MAR originally received $17,500 per month with a 10% annual increase in each succeeding year, as well as fees and reimbursements for certain ancillary items. In addition, the agreement also awarded MAR with 250,000 shares of Company common stock, grossed-up for taxes, subject to achieving certain performance goals for the Company by January 1, 2004, which were achieved.

As part of the agreement, a Flex Compensation program was instituted. This program provides MAR with the ability to be paid up to $15,000 annually

(increased by 10% on each anniversary date of the agreement) as additional compensation, subject to sufficient cash on hand at the Company. The taxes on the Flex Compensation, bonus and stock that is not issued under our 2003 Stock Plan are paid by the Company. In addition, the agreement contains a Due on Sale clause whereby, if there is a change of control of the Company, as defined, then MAR will receive the greater of 30% of the amounts due under the agreement or 12 months worth of fees.

The agreement also awards bonuses of $15,000 to MAR relating to performance in fiscal 2003, $21,000 relating to performance for fiscal 2004, and 10% of annual salary for each fiscal year thereafter for the term of the agreement.

In fiscal 2002, MAR was paid approximately $11,538 in fees. MAR was also granted approximately $28,750 in restricted stock in fiscal 2003 as additional compensation.

In fiscal 2003, MAR was paid approximately $199,808 in fees, $15,000 in annual bonus, $15,000 in Flex compensation under the Flex Compensation program and $28,750 in common stock for services rendered by Mr. Iannini. MAR was also granted approximately $607,500 in restricted stock in fiscal 2003 as additional compensation.

OTHER RELATED TRANSACTIONS

Revolving Loan Agreements with Mathew and Markson Ltd. and Morris & Miller, Ltd.

In December 2003, we entered into an agreement with Mathew and Markson, Ltd. and Morris & Miller, Ltd. (the "M&Ms"), both Antiguan corporations and, currently, our two largest stockholders, to terminate the revolving loan agreement previously provided to them in connection with our original acquisition from them of Telco Billing.

Messrs. Crane and Johnson were employees of and primarily involved in the start-up of Telco Billing. Mr. Crane negotiated the acquisition of Telco Billing by the Company on behalf of the M&Ms and continues to serve as a liaison for the Company to the M&Ms.

As part of the original acquisition of Telco Billing from the M&Ms, we provided them with the right to "put" back to us, under certain circumstances, the shares of Company common stock that they received in exchange for the shares of Telco Billing. We subsequently entered into a new arrangement with the M&Ms, whereby their "put" rights were terminated in exchange for the establishment of the revolving lines of credit. Under these lines of credit, we agreed to lend up to $10,000,000 to each of the M&Ms, collateralized by the Company stock held by the M&Ms and subject to certain limitations. All advances made under these lines of credit carried an interest rate at least 0.25 points higher than the Company's average cost of borrowing but in no event lower than eight percent. No more than $1 million could be advanced at any point in time and no advances could be made unless, after such advance, the Company had at least 30 days operating cash reserves or if the Company was in an uncured default with any of its lenders. At September 30, 2003, the Company had advanced an aggregate $2,126,204 to the M&Ms under this agreement. The M&Ms have been making interest payments on the advances but, as allowed under the agreement, have not made any principal repayments.

Under our new agreement with the M&Ms, dated December 22, 2003 and memorialized in a Third Amendment to the original Stock Purchase Agreement, the revolving lines of credit are terminated effective April 9, 2004, upon the payment of the following final specific advances to each of the M&Ms:

Morris & Miller, Ltd.

$275,000 on January 30, 2004
$300,000 on February 27, 2004
$500,000 on March 31, 2004
Sufficient funds to pay 3 years' interest on April 9, 2004

Mathew and Markson, Ltd.

$50,000 on January 30, 2004
$100,000 on February 27, 2004
$75,000 on March 31, 2004

Sufficient funds to pay 3 years' interest on April 9, 2004

Within ten days after April 9, 2004, the M&Ms will prepay all of the interest on their loans for the next 36 months. We will continue to retain pledged stock as collateral for the repayment of all such loans, which mature in December 2006.

As part of this new agreement, we have also agreed to pay a quarterly dividend of not less than $.01 per share to all holders of our Common Stock beginning April 30, 2004 for the period ended March 31, 2004.

Sale of URL and Lease Arrangements

In connection with the original acquisition of our wholly owned subsidiary, Telco Billing, from Morris & Miller, Ltd. and Mathew and Markson Ltd., both Antiguan corporations (the "M&Ms") and, currently, our largest stockholders, the

Company agreed to pay Mathew and Markson $5,000,000 as a discounted accelerated royalty payment for a 20-year license of the URL "Yellow-Page.Net," which triggered the sale of this URL. The consideration was rendered under the terms of an Exclusive Licensing Agreement dated September 21, 1998, between Telco Billing and Mathew and Markson. The payment was originally to be paid in full upon the acquisition of Telco Billing. However, the Company was unable to pay the entire consideration in cash. As a result, the Company instead negotiated to pay the $5,000,000 due in cash at closing with a $3,000,000 down payment and also executed a $2,000,000 promissory note (the "Note") to Mathew and Markson, which was due on August 15, 1999. In addition, as a result of our failure to pay the entire $5,000,000 in cash at the original closing, we agreed to a $2,000,000 extension fee.

On August 15, 1999, we defaulted on the payment of the Note. To extend this payment obligation to November 15, 1999, we agreed to provide, for the benefit of Mathew and Markson, $250,000 in tenant improvements for approximately one-half of our Mesa facility. The premises were leased to Mathew and Markson for $1.00 per year throughout the term of the five-year lease. The annual fair rental value of the lease premises is $4,500 per month. Business Executive Services, Inc. purchased this lease from Mathew and Markson for a one-time payment of $75,000.

At the due date of the extension (November 15, 1999), we still had not paid the Note. Therefore, on November 15, 1999, we further extended the payment of the Note to January 15, 2000 by paying an extension fee of $200,000. On January 15, 2000, we again defaulted on the extension and the Note was renegotiated to a demand note with monthly installments of $100,000 per month. Under the terms of the renegotiated Note, the payments may have been suspended if we had did not have certain cash reserves or were otherwise in default under other obligations. The renegotiated Note was secured by 2,000,000 shares of our common stock held in escrow, to be returned for cancellation upon payment of the Note. The Note has been paid in full but the collateral shares are still held by Mathew and Markson to secure payment of the penalty fee discussed below.

In July 2001, we were informed by Mathew and Markson that an additional $2,000,000 penalty fee was due on the original acquisition agreement as a result of the Company's failure to pay the entire $5,000,000 due in cash at the original closing. On September 25, 2001, in settlement thereof, we agreed to pay Mathew and Markson $550,000 and issued to Mathew and Markson 4,000,000 shares of our common stock valued at $0.09. The $550,000 is to be paid over a 36-month period at an annual interest rate of 10.5%. The balance as of September 30, 2002 was $115,868 due and payable September 25, 2004.

Simple.Net.

We previously used Dial-Up Services, Inc., d/b/a Simple.Net, Inc., an Internet service provider beneficially owned by DeVal Johnson, our Executive Vice President of Corporate Image and a director, to provide Internet dial up

services and other services to our customers. These services included customer service support for Simple.Net's customers and technology support and billing assistance. At the time our agreement with Simple.Net was entered into, this was beneficial to us because we did not have sufficient dial-up customers to avoid a minimum fee to the backbone providers, which are companies that own the cable and copper wire cables necessary to provide the service. As our customer base has grown, we are now able to economically enter into our own wholesale contract and in fact have done so with GlobalPOPs, Inc., an unrelated third party.

On December 29, 2003, we entered into a separation agreement with Simple.Net, which becomes effective January 31, 2004. Under this agreement, Simple.Net will no longer provide any services to us. Although the Separation Agreement provides for a 30-day extension until March 2, 2004, neither Simple.Net nor we believe that this time period will be needed.

RELATED PARTY TRANSACTION POLICY.

Our general policy requires adherence to Nevada corporate law regarding transactions between the Company and a director, officer or affiliate of the Company. 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 stockholders or if the transaction is otherwise fair to the Company. 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 the fiscal year ended September 30, 2003, there have been no related party transactions except as shown above.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are either attached hereto or incorporated herein by reference as indicated:

<TABLE>
<CAPTION>

Exhibit	Date Previously

Number	Description	Previously Filed as Exhibit	File Number	Filed
10.1	Agreement with Switchboard	Exhibit 10.28 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB/A for the period ended March 31, 2003	000-24217	7/8/2003
10.2	Agreement with Pike Industries (a/k/a Yellow.com)	Exhibit 10.26 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB/A for the period ended March 31, 2003	000-24217	7/8/2003
10.3	Solicitation Partnership Agreement between the Registrant and CHG Allied, Inc. dated August 4, 2003,	Attached hereto		
23	Consent of Epstein, Weber and Conover P.L.C.	Attached hereto		
31	Certification pursuant to SEC Release No. 33-8238, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached hereto		
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached hereto		

</TABLE>

SIGNATURES

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

Dated: September 23, 2004 /s/ Peter J. Bergmann

Peter Bergmann, Chairman of the Board and Chief Executive Officer

Exhibit 10.3

Solicitation Partnership Agreement

This Solicitation Partnership Agreement, effectively dated August 4, 2003, is entered into by and between CHG Allied, Inc., a Delaware corporation (CHGA, or the "Solicitation Partner" or "SP"), whose address is 3081 Holcomb Bridge Road, C-2, Norcross, GA 30071, and EBG Consulting, Inc., a Nevada Corporation, (the EBG"), who address is 5080 N. 40th Street, #105, Phoenix, Arizona 85018, and Telco Billing, Inc., a wholly owned subsidiary of YP Net, Inc., both Nevada corporations (the "YPNET") whose address is 4840 E. Jasmine #110, Mesa, AZ 85205 with reference to the following:

1. YPNT is engaged in the provision of internet yellow pages and access, pursuant to which YPNT mails to potential clients a solicitation in the form of a solicitation check, which, if cashed or deposited, signs that entity up for Internet Yellow Page / internet services / telephony services provided by YPNT.

2. SP is engaged in business as a marketer of access to various types of medical practioners, and as such maintains accurate lists of its [associates, member/shareholders/clients, etc. (the "Recipients") which SP regularly mails to and believes would be interested in and would benefit from YPNT services.

3. EBG is engaged in the non-exclusive business of procuring clients for such services. EBG has introduced the SP to YPNT, and YPNT and SP have agreed as provided pursuant to the terms of this Solicitation Partnership Agreement, to include with SP's regular mailings and or to mail YPNT's client solicitation material to Recipients, substantially in the form of "Exhibit A" hereto (the "Solicitation Material"), which material included a solicitation check (the "Solicitation Check"), (collectively the Co-Mailing") which, once cashed or deposited converts a Recipient to a "Subscriber" by documenting that Recipient's agreement to as well as subscription for Internet Yellow Page/internet services/telephony services provided by YPNT, all as more fully set forth in the Solicitation Material.

In consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

I. Obligations of SP:

a. the SP agrees to provide YPNT with a database of the intended Recipients of the Co-Mailing, including relevant contact information so that YPNT can print, clear and reconcile cashed solicitations checks in order to identify and sign up new customers for YPNT services. YPNT will not otherwise use or disclose such database to third parties except as required to perform its duties according to this agreement or as otherwise authorized by the SP in writing.

b. SP may provide endorsements for the YPNT and or YPNT's service, as reasonable requested by YPNT, which may or may not be included in any Co-Mailing at YPNT's sole discretion.

c. SP may include the Solicitation Material and endorsement if any in SP's regular mailings to Recipients or as a separate mailer as mutually agreed to in writing.

d. The SP shall bear all costs of mailings ("COM") for Co-Mailing except as noted in section II (a) below.

II. Obligations of YPNT:

a. YPNT shall only be responsible for (i) the payment of all the printing of Solicitation Material, (ii) the payment of all amounts necessary to clear the Solicitation Checks as they are presented, and (iii) any increase in postage caused by the additional weight of the inclusion of Solicitation Material in the Co-Mailing.

b. YPNT agrees to provide to the SP, on a monthly basis no later than the 15th day of each month, a written statement (the "Monthly Report") indicating

all Recipients who have cashed and/or presented such YPNT checks for payment and who have become subscribers for services of YPNT (hereinafter, a "Subscriber"), canceled service, received refunds or adjustments from YPNT as well as the funds collected by YPNT from Subscribers during the previous month.

c. YPNT agrees to pay the SP on a monthly basis, a total of seventy-five cents ($0.75)_____ (the "Override Fee") per each individual paying Subscriber who from which YPNT has collected funds as set forth in the Monthly Report. Any payments required to be made to EBG shall be borne by YPNT and is subject to a separate agreement.

d. YPNT has the right to reject any database or portion thereof of Recipients, as well as t6o terminate any relationship with any Subscriber, as well as to refund any amount to any Subscriber at YPNT's sole and absolute discretion, and shall deduct such Override Fees already paid pertaining to such refund from the Override Fees then due or that may become due to SP and or EBG.

e. YPNT shall be required to pay an Override Fee on any funds collected from a Subscriber for up to a maximum of 36 months per subscriber.

III. Miscellaneous:

a. As between YPNT and the SP, this Solicitation Partnership Agreement may be terminated at any time by YPNT or the SP, it being acknowledged and agreed however, that such termination shall not alter or amend the obligation to pay the Override Fee as provided for in herein.

b. This agreement terminates in its entirety sixty (60) months after its effective date, except as described in number 2.e above.

c. Each party hereto warrants and represents that:

(i) They are authorized, empowered and able to enter into and fully perform the obligations hereunder; and

(ii) Neither this Agreement nor the fulfillment thereof shall infringe upon the personal or property rights of any person, firm or corporation;

(iii) The services to be rendered hereunder shall not be in violation of any law, regulation or third party agreement

d. The following additional provisions shall apply:

(i) This Agreement shall be governed by and construed in accordance with the laws in force in Arizona and the parties hereby agree to submit to the courts located in the County of Phoenix, Arizona.

(ii) All notices and other communication required or permitted to be given under this Agreement shall be in writing and shall be effective (a) when delivered personally; (b) when transmitted by electronic facsimile device or electronic mail; (c) upon receipt of such notice by Federal Express or other overnight delivery services; or (d) upon deposit in the U.S. Mail, certified or registered mail, postage prepaid and return receipt requested, addressed to the other party at its address set forth below, unless by notice a different address shall have been designated for giving notice hereunder.

For YPNT:

Licensee: YP Net, Inc.

Address: 4840 E. Jasmine #110

City: Mesa

State/Zip Code: AZ, 85205

Attn: Greg Crane - Director

And to

Licensee: Law Offices of Lewis & Rocca, LLP

Address: 40 N. Central Ave.

City: Phoenix

State/Zip Code: AZ, 85004
Attn: Randy Papetti

For EBG:

EBG Consulting, Inc.
5080 N. 40th Street, #105

Phoenix, Arizona 85018

Attn: Brad Edson

And to

Kelly Lytton & Varm
1900 AVE OF THE STARS, Suite 1450
Los Angeles, CA 90067

Attn: Bruce Varm, Esq.

For the SP:

CHG Allied, Inc.
3081 Holcomb Bridge Road, C-2

Norcross, GA 30071

Attn: G E Spalding

(iii) This Agreement contains the entire understanding of the parties. This Agreement may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, amendment, extension or discharge is sought.

(iv) All parties shall defend, indemnify and hold the other parties, their licenses and assigns and the directors, officers, employees and agents of the foregoing, harmless from all claims, liabilities, damages and costs (including reasonable legal feels and court costs) arising form any breach or alleged breach by such party of any representation, warranty or agreement made by such party hereunder or from any use of the materials supplied by such party hereunder.

(v) All parties warrant to the other that they will not be responsible for representations, warranties or statements made to other third parties whether as part of this agreement or in reference to the other in any matter.

(vi) Nothing in this agreement shall be construed as to make any other party an agent of any other party. The SP acknowledges and agrees that EBG is not responsible for, and has no obligation, whether express or implied, for the performance of YPNT under this agreement, including but not limited to, the payment by YPNT of the Solicitation Checks, or the payment of the Override Fee. YPNT agrees to indemnify and hold harmless both the SP and EBG from any claims from any third parties, including any Recipients, relative to any of the matters covered by this Sponsorship Partnership Agreement caused by a direct result of YPNT's negligence.

If any provision of this Agreement is determined to be invalid or unenforceable, the remaining portions hereof shall not be affected thereby and shall be binding upon the parties hereto and shall be enforceable as though said invalid or

unenforceable provision were not contained herein.

(vii) Any party may terminate this Agreement immediately upon notice in the event that another party (a) makes a general assignment for the benefit of creditors, (b) files a voluntary petition of bankruptcy, suffers or permits the appointment of a bankruptcy receiver for its business or assets, (c) becomes subject to any proceedings under any bankruptcy or insolvency law where such proceeding has not been dismissed within sixty (60) days or (d) has wound up or liquidated, voluntarily or otherwise.

(viii) The parties acknowledge that it will be necessary to provide access to confidential and/or proprietary information ("Proprietary Information") to each other in connection with this Agreement. Proprietary Information shall be clearly identified or labeled as such by the disclosing party at the time of disclosure. Each party shall protect the confidentiality of the Proprietary Information of the other party in the same manner as it protects its own proprietary information of like kind. The parties shall return all Proprietary Information of the other upon the earlier of a request by the disclosing party or upon termination of the Agreement. Neither party shall reproduce, disclose or use the Proprietary Information of the other without written authorization of the other except in performing its obligations under this Agreement or as required by law. The terms and conditions of this Agreement shall be considered Proprietary Information and shall not be disclosed by either party to any third party. The limitations on reproduction, disclosure, or use of Proprietary Information shall not apply to Proprietary Information which (a) was develop3ed independently by the party receiving it; (b) was lawfully received from other sources without an obligation of confidence; (c) is published or otherwise disclosed to others by the disclosing party without restriction, or otherwise comes within the public knowledge or becomes generally known to the public without breach of this Agreement. CHGA's networks of providers, comprising a part of CHGA's Proprietary Information, as disclosed to YPNET and EGB from time to time includes, for EGB and YPNET's befit and use, providers in each of the States of the United States and in Puerto Rico. They are national networks, and thus the scope of the restrictions contained in this paragraph are national in scope, including Puerto Rico. YPNET and EGB agree that these restrictions are reasonable as to territory and subject matter addressed give the networks of providers and pricing structure it and its Members will receive as a result of this agreement.

(ix) All parties hereto acknowledge that, in the event of a breach of the provisions contained in either of the two preceding paragraph, the amount and extent of any resulting damage to the other party would be difficult, if not impossible, to ascertain. Accordingly, the offended party may enforce its rights under such paragraph by seeking from any court of competent jurisdiction an injunction that prohibits the alleged offending party from engaging in any of the activities or practices which are deemed a breach of such provisions. The parties agree that, in any such proceeding, the offended party shall not be required to establish any irreparable harm in order to be entitled to

injunctive relief. Upon finding that a party has breached the applicable of the foregoing two paragraphs of this Agreement, the court shall conclusively presume that the other party has suffered irreparable harm sufficient for the entry of an injunction, and subsequent to such injunction either party may audit the books and records of the other party if necessary as part of a determination of monetary damages. In the event that an unsupported action is brought hereunder, the party bringing the action is liable for payment of the legal costs of defense incurred by the party improperly charged. The terms of this paragraph shall survive the termination of this Agreement, regardless of the reason for such termination.

(x) It is expressly understood and agreed that, notwithstanding the title of this agreement, the relationship of each party to each other is that of an independent contractor and that neither this Agreement nor the services to be rendered hereunder shall for any purpose whatsoever or in any way or manner create, expressly or by implication, any employer-employee relationship, partnership, joint venture or other relationship other than that of independent parties contracting with each other solely for the purpose of carrying out the provisions of the Agreement. Accordingly, each party hereto acknowledges and agrees that he shall not be entitled to any benefits provided by any other party to their respective employees or affiliates (including, without limitation, such items as health and disability benefits). In addition, each party hereto shall have sole and exclusive responsibility for the payment of all federal, state and

local income taxes, for all employment and disability insurance and for Social Security and other similar taxes with respect to any compensation provided by hereunder. Each party further agrees that if such party pays or becomes liable for such taxes or related civil penalties or interest as a result of a failure another party to pay taxes or report same, the party failing to pay such taxes shall indemnify and hold the party or parties paying such taxes harmless for any such liability. Each party hereto expressly assumes and accepts all responsibilities that are imposed on independent contractors by any statute, regulation, rule of law or otherwise. No party hereto is authorized to bind any other party hereto, or to incur any obligation or liability on behalf of any other party, except as expressly set forth in writing.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first above written.

9/22/03

YP Net, Inc., By	/s/ DeVal Johnson, Director
EBG Consulting Inc., By	/s/ Stuart Benson, President
CHG Allied, Inc., By	/s/ G E Spalding, CEO

Exhibit A

[GRAPHIC OMITTED]
COMPREHENSIVE
HEALTH GROUP

3081 Holcomb Bridge Road Suite C-2
Norcross, Georgia 30071-1319
(800) 669-8682 (770) 448-4677
Fax (888) 774-0456
email: office@chgallied.com

Re; CHG Members receive nearly 30% Discount from YP.Com!

Dear Comprehensive Health Group Provider,

As part of our ongoing effort to bring you more business and improve the efficiency of your practice, Comprehensive Health Group is proud to announce that it has successfully negotiated a more than 30% discount for you on a unique business marketing program through YP.Com. Through the YP.Com program, your practice's name, contact info and additional information regarding your practice will be positioned via the Internet in a Preferred Listing Position for maximum exposure.

With approximately 150 Million page views of distribution per month, YP.Com is an industry leader as national Internet Yellow Page Company. YP.Com's service will allow your practice to have maximum exposure to potential customers at a very affordable rate. This is further emphasized by the fact that more than 250,000 businesses across the nation have already chosen to become YP.Com Preferred Listing Customers. This Preferred Listing Customers status is what we have successfully negotiated to be offered to you at nearly a 30% discount.

YP.Com services are also found through the most popular search engines including:

AltaVista	Excite	MSN	Netscape
Juno	Netzero	Web Crawler	Explorer
Yahoo	Lycos	Dogpile	ZNNet and more

For only $19.95 per month (regularly $29.95 per month) you as a CHG Member can receive a Preferred Listing Customers status which includes:

- Priority Listing Position
- Mini Web page
- 40 Word Business Description
- E-Mail Link
- Website Link
- Distribution Network of approx. 150 Million Page Views per Month
- Additional Bonus Enhancements such as Call Button
- Mapping & Driving Directions

We realize that the current economic climate requires monetary restraint. But for a nominal monthly fee your practice will now receive the benefit of being able to be found and viewed by over 40 million viewers. Please review the enclosed information. The YP.Com signup check is yours to keep as an additional part of the discount that we negotiated for you. Just cash the check and you are signed up for the service.

We at CHG hope you take advantage of this unique offer. CHG is also adding new clients every month for our PPO Adjustment/Discount cards. Our staff is always available to assist you if necessary. Please visit us online for updates and news at www.chgallied.com and www.camhealthpartners.com.

If you have any questions concerning this offer, please feel free to call me at 800-669-8682.

Wishing you the very best in your practice,

Lee Gerber
Comprehensive Health Group, President

[GRAPHIC OMITTED]
COMPREHENSIVE
HEALTH GROUP

3081 Holcomb Bridge Road Suite C-2
Norcross, Georgia 30071-1319
(800) 669-8682 (770) 448-4677
Fax (888) 774-0456
email: office@chgallied.com

RE: YP.Com service highly recommended.

Dear Comprehensive Health Group Provider,

We have successfully negotiated a huge discount of more than 30% off for all of our CHG members from the nations most successful Internet Yellow Page company, YP.Com.

We strongly advice that you accept this offer by cashing the enclosed check as we believe that YP.Com's internet yellow pages service will greatly benefit and help your company's growth.

We at CHG hope you take advantage of this unique offer. CHG is also adding new clients every month for our PPO Adjustment/Discount cards. Our staff is always available to assist you if necessary. Please visit us online for updates and news at www.chgallied.com and www.camhealthpartners.com.

If you have any questions concerning this offer, please feel free to call me at 800-669-8682.

Wishing you the very best in your practice,

Lee Gerber
Comprehensive Health Group, President

[GRAPHIC OMITTED]

YP.net

www.yp.com & www.yellow-page.net

AMERICA'S LOCAL YELLOW PAGES(TM)
Find what you need - when you need it.

Yellow-Page.Net's Sign-Up Advantage

Simply deposit the Sign-Up Check and receive priority placement on our site!*
Could there be an easier way to sign-up?
(You will be billed monthly.*)

Next, we call you to get information for your Mini-Webpage(TM).

Then, we send a Confirmation Card to your Marketing/ Accounting Department as a reminder of your sign-up and that monthly billing is about to

begin.

- -----------------------------------

"We thought about calling you at home during dinner but decided to send you a check instead!"

Thanks for taking time to consider our offer.*

- -----------------------------------

As always, Yellow-Page.Net strives for 100% customer satisfaction. Try our service for 120 days and if you're not completely satisfied, we'll refund your money. It's as simple as that!

Not affiliated with any phone company.

*See Terms of Offer.

YELLOW-PAGE.NET'S INTERNET ADVERTISING PACKAGE

IN A NUTSHELL

Preferred Listing YP.NET

Your business will be listed above the "All Listings" section in a priority position. Your Preferred Listing will be bigger, bolder and include links to your Mini-Webpage(TM), Mapping & Driving Directions, as well as a link to our Click2Call feature that enables your customers to contact you immediately from your Listing and we pay for the call!

Mini-Webpage(TM)
Your Mini-Webpage(TM) is what can set you apart from your competitors. Not only are you able to include your business hours, additional phone numbers, links to your website and e-mail, but you have the ability to tout your company's unique accomplishments and specialties. Let your customers know exactly what you do and how it will benefit them. You may call our toll-free number at any time to update your Listing and Mini-Webpage(TM).

LISTING DISTRIBUTION
Not only will your Preferred Listing be viewable through www.yellow-page.net and www.yp.com, but also at dozens of other directory sites on the Internet at no additional cost to you! Currently that represents 50 Million page views of distribution per month and climbing!

"YP's customer service is top-notch. I called about my service and was walked through the process by a knowledgeable and courteous individual. Great job YP!

Jen
El Cajon, CA

"It's great! I didn't even have a computer when I started advertising with Yellow-Page.Net. I really like my Mini-Webpage. It's been a great way for new clients to find me on the web."

Jennifeur
Queen Creek, AZ

Results will vary.

100% satisfaction guaranteed or your money back! (See Terms of Offer.)
Not affiliated with any phone company.

[GRAPHIC OMITTED] YELLOW-PAGENET
Solicitation Center
806 Buchanan #115-250
Boulder City, NV 89005
1-800-300-3209

MEMBER YELLOW PAGES I.M.A.

MEMBER ADP Since 1898

"Not affiliated with any local or long distance telephone company."

CHECK US OUT AT
http://www.yellow-page.net
or
http://www.yp.net

Dear Advertiser:

The enclosed Bank Check is real, so be sure to cash it right away! It's Yellow-Page.Net's dramatic way of celebrating and alerting companies, like yours, that this yellow page data is currently receiving a tremendous amount of page views every day. That means that thousands of people across the country are currently using this user friendly resource. Your company could be getting some of this exposure!

When you cash or deposit the enclosed check, your company signs up for and will receive a preferred priority placement listing subscription in the Yellow-Page.Net web site. The $3.25 check is an incentive to you for accepting this Internet yellow page listing service offer with the No-Risk Guarantee. Plus, when you list your company through this offer, your company will be placed

in a priority position. This preferred priority placement listing entitles your company to be listed in a premium section above all of the listings in the All Listings section.

This unique priority advertising program, available around the clock worldwide through the Internet, also includes a Mini Web Page featuring your business' information. Plus, order now by cashing the check and we will list your fax number, toll-free number, your e-mail and Web Site addresses, business hours and up to 40 words promoting your business in your Mini Web Page. Just call our toll-free number shown above or on your Order Confirmation Card which will be mailed to you shortly after you cash the check, and provide us the additional information. For your convenience, we will also attempt to gather this information by calling you at your phone number shown on the enclosed check. Don't worry if your company doesn't have an e-mail address or Web Site, Yellow-Page.Net can fulfill all of your company's needs, just call us for additional pricing and other information.

Stop and think for a second! What would happen to your company's share of the market if your competitors order before you do, and gain a market advantage over your company? Or worse yet - what if your company doesn't order by cashing this check, and never receives the Internet marketing advantages that your competition may have! Can your company afford to allow its competition this advantage when it costs so little if you respond now?

It's 24-hour priority advertising you can't afford to be without. If you only get one additional customer - would this cover such a small cost? Simply ask yourself if your customers would scroll through all of your competitors' listings in the All Listing section in order to find your company? Wouldn't you and your customers prefer for your company to be listed in a preferred priority placement position?

Applying for immediate preferred priority advertising placement is easy. Simply cash or deposit the $3.25 check, an incentive for ordering this No-Risk advertising service. Can your company afford to allow the competition to gain an advantage when it costs only $19.95 per month if you respond now? You will even be conveniently billed either on your local phone bill, by direct debit from the company checking account that you deposit this enclosed check into in order to sign up for this service, on your utility bill or by other means.

Furthermore, if you are not satisfied with the service that we provide, you are protected by our No-Risk Guarantee. Just call the Yellow-Page.Net's toll-free number provided above or on your Order Confirmation Card within 120 days of cashing this check in order to cancel and receive a full refund for any reason.

So, simply be sure to cash or deposit your check right away. Don't let your competition have an advertising advantage!

Sincerely,
/s/ Brian Johnson
Brian Johnson

TERMS OF OFFER

1. The enclosed check is a real check. By cashing or depositing the check Advertiser requests a priority placement web site advertisement and authorizes billing in accordance with the following Terms. An Order Confirmation Card confirming your order will be mailed within 80 days of cashing the check.
2. This Internet advertisement directory publication through the Yellow-Page.Net website is offered by Telco Billing, Inc. of NV, an independent publisher utilizing the licenced trade name of Yellow-Page.Net, and is not affiliated with AT&T, G.T.E., SWBell, Qwest, Ameritech, Inc., or any local or long distance telephone company and is published and globally accessible only on the Internet through YP.Net & Yellow-Page.Net nearly 24 hours a day 365 days a year.
3. Publisher's, its respective agents', resellers', billers', partners', associates', joint ventures' and employees' liability under this agreement shall at most be limited to the charges paid for that advertisement item offered on the face of this agreement. Advertiser waives any claims of misrepresentation concerning the subject matter addressed herein. Advertiser grants Publisher the right to modify classification to conform to our standard classifications.
4. Publisher, its respective agents, resellers, billers, partners, associates, joint ventures and employees shall be indemnified and held harmless by Advertiser with respect to any claims of infringement or similar claims in

connection with any material, including trademarks, service marks, copyrighted material etc., supplied by Advertiser, including addition information gathered by Publisher via telephone after the initial order is placed by cashing the check.

5. Publisher warrants only that the advertisement will be published through its Internet Yellow Page directory accessible through www.Yellow-Page.Net and no verbal statement, other warranty or guarantee expressed or implied, including that of merchantability, benefits, results, fitness for any particular purpose, is being made herein or shall be considered made though intended subsequent information gathering telephone calls or Confirmation Cards.
6. This agreement shall be governed by and interpreted in accordance with the laws of the state of Nevada with any disputes settled by arbitration.
7. This agreement shall not without the express written prior consent of the publisher be transferred or assigned. Termination or suspension of advertiser's telephone service, modification of address, relocation or moving shall not warrant an adjustment in charges.
8. The advertising fee is <u>only $19.95 per month</u>, per listing, per classification, and will be billed by Telco Billing Inc. of NV ("Yellow-Page.Net"), preferably on your local phone bill through ESBI, Integretel, ACI or other. Alternatively, the fee may be billed by direct invoice, on your utility bill, credit card or by other methods. You also agree that we may bill the fee by ACH debit from the account that the enclosed check has been deposited into in accordance with the rules governing the ACH network. User may revoke its ACH debit authorization or change billing method at any time by calling customer service.
9. Directory Advertising shall continue on a month by month basis until cancelled by Advertiser at the then current rate, terms and conditions. Advertiser has 120 days from depositing this check to request and receive a full refund for any reason. Rates are subject to change upon 30 days written notice. For all customer service questions including cancellations, changes in billing methods or modifications or additions to your advertisement, please call 1-800-300-3209.

(C) 1998 T.B.I. 030603 All rights Reserved.
"Walking Fingers" logo is a Registered Mark in NV. of M&M. Used with permission.

YELLOW-PAGE.NET
806 BUCHANAN #115-250
BOULDER CITY, NV 89005
1-800-300-3209

FIRST STATE BANK
LAKE LILLIAN, MN 56253
75-1131/919

PAY TO THE
BEARER OR $ **3.25

Three and 25/100** DOLLARS

Security features included. Details on back
1754103

MEMO

/s/ Sara Davis

Record No. Check Date: Check No.

ITEM	DESCRIPTION	AMOUNT
Yellow Pages Advertisement Solicitation	Discount Incentive	$3.25
	Check Total	$3.25

Advertiser:

First State Bank   See Terms of Offer and back of Sign-Up Check.   3.25

Please list my company's information as shown on this check on the Yellow-Page.Net Internet website. I am over 18, and authorized to place this advertisement by depositing this check and by doing so I agree to pay $19.95 per month for this advertisement. I agree to the Terms of Offer which were enclosed with this check and authorize Telco Billing, Inc. to bill such fees in advance, on the company's phone bill or by debiting the fee from the company's bank account into which this check is deposited or by other methods, according to the Terms. I understand that I can cancel and receive a full refund by simply calling 1-800-300-3209 within 120 days.

X

- ---
DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE*
- ---

- ---

Billing Ph. #<<phone>>

*FEDERAL RESERVE BOARD OF GOVERNORS REG. CC

- ---

[GRAPHIC OMITTED] Security Items. Micro Print Signature Line & Endorsement Line, Padlock Icon on the front and Original Document, Security Screen on the back.

- ---

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
YP Corp.:

We consent to the incorporation by reference in the registration statements of YP Corp., f/k/a YP.Net, Inc., on Form S-8 (File No. 333-107721) filed as of August 7, 2003, of our report dated December 5, 2003, on the consolidated balance sheets of YP Corp. as of September 30, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for each of the years in the three-year period ended September 30, 2003, which report appears in Amendment No. 2 to the September 30, 2003 Annual Report on Form 10-KSB/A of YP Corp.

Epstein, Weber & Conover P.L.C.

Scottsdale, Arizona
September 23, 2004

Exhibit 31

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Peter J. Bergmann, Chairman, President and Chief Executive Officer of YP Corp., certify that:

1. I have reviewed this Annual Report on Form 10-KSB of YP Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have;

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent function);

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: September 23, 2004 /s/ Peter J. Bergmann

Peter J. Bergmann
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, W. Chris Broquist, Chairman, President and Chief Executive Officer of YP Corp., certify that:

1. I have reviewed this Annual Report on Form 10-KSB of YP Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have;

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent function);

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: September 23, 2004 /s/ W. Chris Broquist

W. Chris Broquist
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION OF THE
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter J. Bergmann, the Chairman, President, Chief Executive Officer of YP Corp., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of YP Corp. on Form 10-KSB for the fiscal year ended September 30, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-KSB fairly presents in all material respects the financial condition and results of operations of YP Corp.

Date: September 23, 2004 /s/ Peter J. Bergmann

Peter J. Bergmann
Chairman, President and Chief Executive Officer

I, W. Chris Broquist, the Chief Financial Officer of YP Corp., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of YP Corp. on Form 10-KSB for the fiscal year ended September 30, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-KSB fairly presents in all material respects the financial condition and results of operations of YP Corp.

Date: September 23, 2004 /s/ W. Chris Broquist

W. Chris Broquist
Chief Financial Officer