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

FORM 10-KSB

(Mark one)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 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.NET, INC.
(Name of Small Business Issuer in its Charter)

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

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

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

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

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

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

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

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

Portions of the Proxy Statement for the Registrant's 2004 Annual Meeting of Shareholders to be held on April 2, 2004 are incorporated by reference in Part III of this Form 10-KSB.

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 call is free of charge to both the User and the Internet Advertising customer;
- 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. 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 265 QuickSite customers during fiscal 2003. 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, or $5 more per month than the IAP alone. This pricing will save the Advertiser approximately 40% 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>
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ADVERTISING REVENUE
$ BILLIONS (1)

	2003	MARKET SHARE	2008	% GROWTH PER YEAR	MARKET SHARE
<S>	<C>	<C>	<C>	<C>	<C>
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. 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 call is free of charge to both the User and

the Internet Advertising customer;
- 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. 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. 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.

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(TM) 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.

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 depart, 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.

Extensible Record. While some of our competitors merge data from multiple sources, we not believe that any of them have acquired data from all of the major data providers in the North American market. 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. We believe 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.

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 increases 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 providers data set. The number of unique records vary 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 provides 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 an agreement with SurfNet Media Group, Inc. (SurfNet"), a digital media distribution technology company. SurfNet is a public reporting company. The agreement provides us 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 those customers that actually pay us as opposed to activated customers. 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 optimizes 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 a 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 have 119 full time and four part- time team members 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 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 both our corporate office and our customer service call center.

In October 2003, our wholly owned subsidiary, Telco, signed a three-year lease 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 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.

ITEM 3. LEGAL PROCEEDINGS

We are party to certain legal proceedings and other various claims and lawsuits in the normal course of our business, which, in the opinion of management, are not material to our business or financial condition.

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

In July 2003, a proposal to approve our 2003 Stock Plan was submitted to a group of shareholders constituting approximately 65% of our outstanding capital stock entitled to vote. By written consent in lieu of a meeting, as provided for under Nevada corporate law and our bylaws, these shareholders approved the adoption of the 2003 Stock Plan. In connection with the submission of the proposal to the shareholders, we filed an Information Statement with the Securities and Exchange Commission and delivered a copy to all shareholders of the Company in accordance with the Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder. No other matters were submitted to the stockholders.

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.

FISCAL YEAR	QUARTER ENDED	HIGH	LOW
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

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 attorney's 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. All such shares were issued in reliance on the exemptions from registration afforded by Section 4(2) and Regulation D of the Securities Act of 1933, as amended.

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

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.

Overview

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.

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.

Mr. Tullo has been exonerated by the fact that, 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. In contrast to the dismissal of claims against Mr. Tullo, New Horizon has obtained judgments against the other members of American Business Funding's former management.

The previous case, in which Mr. Tullo was involved concerning certain investors of American Business Funding Corp., was dismissed in July 2003 for failure to produce evidence.

Additionally, all prior cases involving Mr. Tullo and relating to the foregoing matters have been dismissed as to 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")

In December 2003, we entered into an agreement with the M&M's to terminate the revolving loan agreement previously provided to them.

As part of the original acquisition of Telco 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 the 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.

Our new agreement with the M&Ms, which is memorialized in a Third Amendment to the original Stock Purchase Agreement, cancels the revolving lines of credit 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&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 31st, 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.

Future Outlook

We intend to pursue the following growth strategies and initiatives in fiscal 2004:

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. However, we expect to incur significant costs relating to our branding prior to such benefits being realized which we expect to fund from our internal cash flow.

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, IncThrough these efforts, we acquired an immaterial number of QuickSite customers during fiscal 2003. 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 may test market this product at $16.95 per month in fiscal 2004. We will, however, begin to charge 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, or at least $5 more per month than the IAP alone. This pricing will save the Advertiser approximately 40% 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.

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 were $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

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 $3,345,489 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 $4,855,369 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 $2,891,631 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, we 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. As of this filing, we have not remitted any amounts to YP Charities but plan to contribute $100,000 during fiscal 2004. At this time, the Board of Directors of YP Charities is identical to the Board of Directors

of the Company.

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.

OUR GROSS MARGINS MAY DECLINE OVER TIME. We expect that gross margins may be adversely affected because we have determined that profit margins from the electronic Yellow Pages offerings that we have profited from in the past have fluctuated. We have experienced a decrease in revenue from the LEC from the effects of the Competitive Local Exchange Carriers (CLEC) that are participating in providing local telephone services to customers. 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. 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 continue to look for profitable

Internet opportunities; however there are no assurances that we will be successful, and presently we have no acquisitions in progress.

WE ARE DEPENDANT UPON KEY PERSONNEL. Our performance is substantially dependant on the performance of our executive officers and other key employees and 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 employees could have a material adverse effect on our business, results of operations or financial condition. 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.

OUR OPERATING RESULTS ARE DIFFICULT TO PREDICT. Since our growth rate may slow, operating results for a particular quarter are difficult to predict: We expect that in the future, our net sales may grow at a slower rate on a quarter-to-quarter basis than experienced in previous periods. This may be a direct cause of a lower response rate, changes to our direct marketing pieces or regulatory matters discussed below. As a consequence, operating results for a particular quarter are extremely difficult to predict. Our ability to meet financial expectations could also be hampered if we are unable to correct the billing/dilution through the billing aggregators and CLEC markets seen recently or if direct mailing solicitations are not completed on a timely basis each month or if the timing whereby monthly billings are submitted to billing aggregators varies from month to month.

WE ARE SUBJECT TO A STRICT REGULATORY ENVIRONMENT. Existing laws and regulations and any future regulation may 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.

OUR QUARTERLY RESULTS OF OPERATIONS COULD FLUCTUATE DUE TO FACTORS OUTSIDE OF OUR CONTROL, WHICH MAY CAUSE FLUCTUATIONS AND A CORRESPONDING DECREASE TO THE PRICE OF OUR SECURITIES. Our quarterly operating results may fluctuate for reasons that are not within our control, including:

- demand for our services, which may depend on a number of factors including economic conditions, customer response rates to our direct marketing, customer refunds/cancellations and our ability to continue to bill customers 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 as well as our ability to execute the mailing of our monthly direct mail solicitations; and

- the actions of our competitors; and

- the timing of billing and receipt of amounts from LEC's may vary, 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 fluctuation of our quarterly operating results, as well as other factors, could cause the market price of our securities to fluctuate and decrease. Some of these factors include:

- the announcement of new customers or strategic alliances or the loss of significant customers or strategic alliances;

- announcements by our competitors;

- sales or purchases of Company 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; 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 ADVERTISER SIGN-UP'S AND BILL OUR ADVERTISERS MONTHLY IS DEPENDENT UPON OUR CHECK PROCESSING SERVICE PROVIDERS AND BILLING AGGREGATORS, RESPECTIVELY. The Company currently uses three check processing companies to provide us with Advertiser information at the point of sign-up for our IAP. One of these processors has indicated that it will be outsourcing this function in the future. 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 experienced a disruption in their operations or ceased to do business with us.

We also are dependent upon our billing aggregators to efficiently bill and collect monies from the LEC's relating to the LEC's billing and collection of our monthly charges from Advertisers. We currently have agreements with two billing aggregators and are currently in the process of negotiating an agreement with an additional billing aggregator. Any disruption in our billing aggregators ability to perform these functions could adversely affect our financial condition and results of operations

WE FACE INTENSE COMPETITION, INCLUDING FROM COMPANIES WITH GREATER RESOURCES. This Competitive Pressure Could Lead To Continued Decreases In Our Revenues, Which Would Adversely Affect Our Operating Results. Several companies currently market yellow-page services that directly compete with our services and products, including Yahoo and Microsoft. For several reasons, we may not compete effectively with existing and potential competitors. These reasons may include:

- Some competitors have greater financial resources and are in better financial condition than us.

- Some competitors have more extensive marketing and customer service and support capabilities.

- Some competitors may supply a broader range of services, enabling them to serve more or all of their customers' needs. This could limit sales for us and strengthen existing relationships that competitors have with customers, including our current and potential customers.

- Some competitors may be able to better adapt to changing market conditions and customer demand; and

- Other competitors not currently involved in the Internet-based yellow-page advertising business may enter the market or develop technology that reduces the need for our services.

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

STOCK PRICES OF TECHNOLOGY COMPANIES HAVE DECLINED PRECIPITOUSLY OVER THE LAST SEVERAL YEARS 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 six months and could continue to be volatile in response to factors including the following, some 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;

- 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. These fluctuations, as well as general economic and political conditions unrelated to our performance, may adversely affect the price of our common stock.

TERRORIST ATTACKS AND THREATS OR ACTUAL WAR MAY NEGATIVELY IMPACT ALL ASPECTS OF OUR OPERATIONS, REVENUES, COSTS AND STOCK PRICE. Recent terrorist attacks in the United States, as well as future events occurring in response or connection to them, including, without limitation, future terrorist attacks against United States targets, rumors or threats of war, actual conflicts involving the United States or its allies or military or trade disruptions impacting our domestic or foreign suppliers of parts, components and subassemblies, may impact our operations, including, among other things, causing delays or losses in the delivery of supplies to us and decreased sales of our products. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They also could result in economic recession in the United States or abroad. Any of these occurrences could have a significant impact on our operating results, revenues and costs.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YP.NET, INC.

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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.

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

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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.
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YP.NET, INC.

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

	2003	2002
<S>	<C>	<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.

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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	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE OCTOBER 1, 2001	40,732,180	$40,732	-	$ -	$(171,422)	$4,559,888	$1,269,340	$5,698,538
Common stock issued for services	100,000	100				8,900		9,000
Common stock received under legal settlements and placed in treasury	(250,000)	(250)				(267,425)		(267,675)
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)	(494)
Net income							3,696,463	3,696,463
BALANCE SEPTEMBER 30, 2002	40,450,340	$40,450	131,840	$ 11,206	$(171,422)	$4,290,289	$4,965,309	$9,135,832

(CONTINUED)

The accompanying notes are an integral part of these consolidated financial statements
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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE
YEARS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002 (CONTINUED)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PREFERRED E SHARES	PREFERRED E 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

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

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

YP.NET, INC.

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

SUPPLEMENTAL CASH FLOW INFORMATION:

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

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

	2003	2002
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

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

YP.NET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2003 AND 2002

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.

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." The proforma effect of the fair value method is discussed in Note 15.

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.

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>
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

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

<TABLE>
<CAPTION>

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

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

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 $115,868 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:

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

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

	2003		2002	
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)%

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

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	100,006
Book/tax differences in customer acquisition costs	1,135,134
Total deferred income tax liability	1,235,140
Net income tax asset	$1,372,773

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:

2004	$ 427,597
2005	383,679
2006	292,125
Total	$1,103,401

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 $3,300,000 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 and accrued a total of approximately $1,925,000 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 $589,000 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, $274,750 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

From time to time, the Company issues stock options to executives, key employees and members of the Board of Directors. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and continues to account for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, no compensation cost has been recognized for 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.

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>

	2003		2002	
		Weighted Average Exercise Price		Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<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 a 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.

* * * * * *

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

Not Applicable.

ITEM 8A. CONTROLS AND PROCEDURES

Disclosure controls are procedures that are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Annual Report on Form 10-KSB, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls are also designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our principal executive officer and principal financial officer included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Annual Report. Our management, including our chief executive officer and chief financial officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on their review and evaluation as of a date within 90 days of the filing of this Form 10-KSB, and subject to the inherent limitations all as described above, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective. They are not aware of any significant changes in our disclosure controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K in that the Registrant will file its definitive Proxy Statement for its 2004 Annual Meeting of Shareholders to be held on April 2, 2004, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "2004 Proxy Statement"), not later than 120 days after the end of the fiscal year covered by this Annual Report, and certain information included in the 2004 Proxy Statement is incorporated herein by reference.

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS

Information regarding directors and executive officers of the Company and the disclosure required by Item 405 of Regulation S-B concerning Section 16(a) Beneficial Ownership Reporting Compliance is set forth under the captions "Election of Directors," "Executive Officers and Compensation" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2004 Proxy Statement incorporated by reference into this Form 10-KSB, which will be filed with the Commission within 120 days after the end of the Company's fiscal year covered by this Annual Report.

Code Of Ethics

We have not yet adopted a corporate code of ethics. 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 10. EXECUTIVE COMPENSATION

Information regarding director and executive compensation is set forth under the captions "Election of Directors" and "Executive Officers and Compensation" in the 2004 Proxy Statement, which information is incorporated in this Form 10-KSB by reference.

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

Information regarding security ownership of certain beneficial owners and management is set forth under the caption "Security Ownership of Principal Stockholders and Management" in the 2004 Proxy Statement, which information is incorporated in this Form 10-KSB by reference.

Equity Compensation Plan Information

We maintain the 2003 Stock Plan (the "2003 Plan") pursuant to which we may grant equity awards to eligible persons. The following table gives information about equity awards under the Company's 2003 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]	2,048,000 [2]	N/A	952,000
Equity compensation plans not approved by security holders	0	N/A	0
Total	2,048,000	N/A	952,000

<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 2003 Plan.
</TABLE>

Our 2003 Stock Plan

During the year ended September 30, 2002, our shareholders approved the 2002 Employees, Officers & Directors Stock Option Plan (the "2002 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 shareholders terminated 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.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions of management is set forth under the caption "Certain Relationships and Related Transactions" in the 2004 Proxy Statement, which information is incorporated in this Form 10-KSB by reference.

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 Number	Description	Previously Filed as Exhibit	File Number	Date Previously Filed
<S>	<C>	<C>	<C>	<C>
3.1	Certificate of Restated Articles of	Exhibit 3.1 to the Registrant's	000-24217	5/6/98

	Incorporation of Renaissance International Group, Ltd.	Registration Statement on Form 10SB12G		
3.2	Certificate of Amendment to the Articles of Incorporation of Renaissance International Group, Ltd. changing the name of the corporation to RIGL Corporation and increasing the authorized shares of common stock, par value $.001 per share	Exhibit 3.2 to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1999	000-24217	9/19/00
3.3	Restated Articles of Incorporation of RIGL Corporation creating Series B Convertible Preferred Stock	Attached hereto		
3.4	Certificate of Amendment to the Articles of Incorporation of RIGL Corporation changing the name of the corporation to YP.Net, Inc.	Attached hereto		
3.5	Certificate of Amendment to the Articles of Incorporation of YP.Net, Inc. increasing the authorized shares of capital stock, par value $.001 per share and creating the Series C and Series D Preferred Stock	Exhibit 4.1(a) to the Registrant's Registration Statement on Form S-8	333-107721	8/7/03
3.6	Certificate of Designation creating the Series E Convertible Preferred Stock	Exhibit 3.7 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
3.7	By-laws of Renaissance International Group, Ltd.	Exhibit 3.2 to the Registrant's Registration Statement on Form 10SB12G	000-24217	5/6/98
3.8	Amended By-laws	Exhibit 3.6 to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1999	000-24217	9/19/00
10.1	YP.Net, Inc. 2003 Stock Plan	Exhibit 99.1 to the Registrant's Registration Statement on Form S-8	333-107721	8/7/03
10.2	Standard Industrial/Commercial Multi-Tenant Lease for Mesa facility between the Registrant and Art Grandlich, d/b/a McKellips Corporate Square	Exhibit 10.5 to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1999	000-24217	9/19/00
10.3	Amendment No. 1 to Standard Industrial/Commercial Multi-Tenant Lease for Mesa facility between the Registrant and Art Grandlich, d/b/a McKellips Corporate Square	Exhibit 10.14 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.4	Standard Industrial Lease for Nevada facility between the Registrant and Tomorrow 33 Convention, LP dated August 13, 2003	Attached hereto		
10.5	Credit Facility between the Registrant and Bank of the Southwest	Exhibit 10.27 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB/A for the fiscal quarter ended March 31, 2003	000-24217	7/8/03
10.6	Trade Acceptance Draft Program between the Registrant and Actrade Capital, Inc., dated August 13, 2002	Exhibit 10.35 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB/A for the fiscal quarter ended March 31, 2003	000-24217	7/8/03
10.7	Stock Purchase Agreement between the Registrant, Morris & Miller, Mathew and Markson and Telco Billing dated March 16, 1999.	Exhibit A to the Registrant's Current Report on Form 8-K	000-24217	3/29/1999
10.8	Amendment No. 1 to Stock Purchase Agreement between the Registrant, Morris & Miller, Mathew and Markson and Telco Billing dated March 16, 1999.	Exhibit 10.16 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.9	Amendment No. 2 to Stock Purchase Agreement between the Registrant, Morris & Miller, Mathew and Markson and Telco Billing dated September 12, 2000.	Exhibit 10.17 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03

10.10	Amendment No. 3 to Stock Purchase Agreement between the Registrant, Morris & Miller, Mathew and Markson and Telco Billing dated December 22, 2003.	Attached hereto		
10.11	Exclusive Licensing Agreement between the Registrant and Mathew and Markson, Ltd. Dated September 21, 1998	Attached hereto		
10.12	Executive Consulting Agreement between the Registrant and Sunbelt Financial Concepts, Inc. dated September 20, 2002	Exhibit 10.19 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.13	Executive Consulting Agreement between the Registrant and Advertising Management & Consulting Services, Inc. dated September 20, 2002	Exhibit 10.20 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.14	Executive Consulting Agreement between the Registrant and Advanced Internet Marketing, Inc. dated September 20, 2002	Exhibit 10.21 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.15	Executive Consulting Agreement between the Registrant and Mar & Associates, Inc. dated May 1, 2003	Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003	000-24217	8/13/2003
10.16	Exclusive Domain Name Licensing Agreement between the Registrant and Onramp Access, Inc. dated July 8, 2003	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	000-24217	7/22/2003
10.17	Basic Listing Reseller Agreement between the Registrant and UDS Directory Corp., d/b/a go2 Directory Systems dated September 1, 2003	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	000-24217	10/24/2003
10.18	Processing Agreement between the Registrant and Integrated Payment Systems Inc., d/b/a First Data dated August 26, 2003	Exhibit 10.2 to the Registrant's Current Report on Form 8-K	000-24217	10/24/2003
10.19	Master Database and Services Agreement between the Registrant and InfoUSA, Inc. dated July 31, 2002	Exhibit 10.11 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.20	Database Extract License Agreement between the Registrant and Experian Information Solutions, Inc. dated February 1, 2003	Exhibit 10.12 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.21	Mail Marketing Management Agreement between the Registrant and Business Executive Service, Inc. dated November 1, 2001	Exhibit 10.22 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.22	Master Services Agreement between the Registrant and eBillit, Inc dated August 1, 2002	Exhibit 10.24 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB/A for the fiscal quarter ended March 31, 2003	000-24217	7/8/03
10.23	Co-branded Syndication Agreement between the Registrant and Intelligenx, Inc dated November 1, 2000	Exhibit 10.30 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.24	Colocation Agreement between the Registrant and XO Communications, Inc. dated June 10, 2003	Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002	000-24217	8/13/2003
10.25	Private Label Website and Cross Promotion Agreement between the Registrant and Community IQ, Inc., d/b/a Vista.com, dated September 18, 2001	Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003	000-24217	8/13/2003
10.26	Data Products License Agreement	Exhibit 10.10 to Amendment	000-24217	7/8/03

	between the Registrant and Acxiom Corporation dated March 30, 2001	No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002		
10.27	Billings and Related Services Agreement between the Registrant and ACI Communications, Inc. dated September 1, 2001	Exhibit 10.33 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.28	License Agreement between the Registrant and Palm, Inc. dated February 1, 2003	Exhibit 10.25 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB/A for the fiscal quarter ended March 31, 2003	000-24217	7/8/03
10.29	Lease Agreement between the Registrant and Inter-Tel Leasing dated May 17, 2002	Attached hereto		
10.30	Private Label Website and Cross Promotion Agreement between the Registrant and EZSitemaster, Inc., f/k/a ClientCare, Inc. dated February 20, 2002	Attached hereto		
10.31	Letter of Intent Agreement between the Registrant and SurfNet, Inc. dated August 26, 2003	Attached hereto		
10.32	Solicitation Partnership Agreement between the Registrant and CHG Allied, Inc. dated August 4, 2003,	Attached hereto		
10.33	Service Agreement between the Registrant and GlobalPOPs dated December 5, 2003	Attached hereto		
21	Company Subsidiaries	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 906 of the Sarbanes-Oxley Act of 2002	Attached hereto		

</TABLE>

(b) The Registrant filed the following Current Reports on Form 8-K during the final three-month period covered by this Annual Report:

- On July 22, 2003, the Company filed a Current Report on Form 8-K to report the execution of an Exclusive Domain Name License Agreement whereby the Company obtained exclusive rights to the "YP.com" domain name.

- On August 14, 2003, the Company filed a Current Report on Form 8-K attaching a press release concerning the Company's earnings and results of operations for the Company's third fiscal quarter ended June 30, 2003.

- On October 14, 2003, the Company filed a Current Report on Form 8-K to disclose an Investor Fact Sheet under Regulation FD.

- On October 24, 2003, the Company filed a Current Report on Form 8-K to report the execution of an agreement with Integrated Payment Systems Inc. for additional third-party verification services and the execution of another agreement with UDS Directory Corp, d/b/a go2 Directory Systems to allow for the prominent display of certain customers' advertisements on wireless and hand-held devices provided by leading manufacturers.

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.

YP.NET, INC.

Dated: December 30, 2003 /s/ Angelo Tullo

Angelo Tullo, Chairman of the Board and Chief

Executive Officer (Principal Executive Officer)

Dated: December 30, 2003 /s/ David Iannini

Chief Financial Officer
(Principal Accounting Officer)

BOARD OF DIRECTORS

Dated: December 30, 2003 /s/ Angelo Tullo

Angelo Tullo

Dated: December 30, 2003 /s/ Gregory B. Crane

Gregory B. Crane

Dated: December 30, 2003 /s/ Daniel L. Coury, Sr.

Daniel L. Coury, Sr.

Dated: December 30, 2003 /s/ Peter Bergmann

Peter Bergmann

Dated: December 30, 2003 /s/ DeVal Johnson

DeVal Johnson

Exhibit 3.3

FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

JAN 11 1999

No. C6242-94

/S/ DEAN HELLER
DEAN HELLER, SECRETARY OF STATE

RESTATED ARTICLES OF INCORPORATION
OF
RIGL CORPORATION

We the undersigned Kevin L. Jones, President and Peter DeKrey, Secretary of RIGL Corporation do hereby certify:

That the Board of Directors of said corporation at a meeting duly convened, held on the 11th day of December, 1998, adopted a resolution to restate the Articles of Incorporation,: this certificate correctly sets forth the text of the Articles of Incorporation as amended to the date of the certificate, to read as follows:

1. Name. The name of the corporation is RIGL Corporation (the "Corporation").

2. Resident Agent. The name and address of the initial resident agent of the corporation is William L. Dempsey, 5405 W, Flamingo Rd., Las Vegas, Nevada 89103.

3. Authorized Capital. The Corporation shall have authority to issue 50,000,000 shares of Common Stock, par value $.001 per share and 15,000,000 shares of Preferred Stock, par value $.001 per share.

4. Preferred Stock.

4.1. Series. The board of directors is authorized, subject to limitations prescribed by law and these Articles of Incorporation, to provide for the issuance of the shares of preferred stock in series, and by filing a certificate pursuant to the applicable law of the State of Nevada, to establish from time to time the number of shares to be included in each such series, and to fix the designation, voting powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

4.2. Rights and Limitations. The authority of the board of directors with respect to each series of preferred stock shall include, without limitation, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series,, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges, and if so, the terms and conditions of such conversion including provisions for adjustment of the conversion rate in such events as the board of directors shall determine;

(e) Whether or not the shares of that series shall be redeemable, and if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(h) Any other relative rights, preferences and limitations of that series.

4.3. Dividends. Dividends on outstanding shares of preferred stock shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on the common shares with respect to the same dividend period.

4.4. Liquidation. If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets available for distribution to holders of shares of preferred stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series of preferred stock in accordance with the respective preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

5. Designation of Series A Convertible Preferred Stock. In accordance with the foregoing Article FOURTH, the corporation shall have the authority to issue a class of Preferred Stock which shall have the following preferences, voting powers, qualifications, special or relative rights and privileges:

5.1. Designation and Amount. The class of Preferred Stock of the Corporation authorized as part of the Preferred Stock by this paragraph 5.1 of Article FIFTH shall be designated as Series A Convertible Preferred Stock (the "Series A Preferred Stock"), and the number of shares constituting such class shall be 3,000,000.

5.2. Dividends. No dividends shall be declared and set aside for any shares of the Series A Preferred Stock.

5.3. Liquidation, Dissolution or Winding Up.

5.3.1. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, after and subject to the payment in full of all amounts required to be distributed to the holders of any other class or series of stock of the Company ranking on liquidation prior and in preference to the Series A Preferred Stock (collectively referred to as "Senior Preferred Stock"), but before any payment shall be made to the holders of Junior Stock by reason of their ownership thereof, an amount equal to S1.50 per share of Series A Preferred Stock. If upon any such liquidation, dissolution or winding up of the Company the remaining assets of the Company available for distribution to its stockholders

shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series A Preferred Stock and any class or series of stock (the "Preferred Stock") ranking on liquidation, on a parity with the Series A Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Company in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

5.3.2. After the payment of all preferential amounts required to be paid to the holders of Senior Preferred Stock upon the dissolution, liquidation, or winding up of the Company, all of the remaining assets and funds of the Company available for distribution to its stockholders shall be distributed ratably among the holders of the Series A Preferred Stock, such other series of Preferred Stock as are considered as similarly participating, and the Common Stock, with each share of Series A Preferred Stock being deemed, for such purpose, to be equal to the number of shares of Common Stock, including fractions of a share, into which such share of Series A Preferred Stock is convertible immediately prior to the close of business on the business day fixed for such distribution.

5.4. Voting.

5.4.1. Each holder of outstanding shares of Series A Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such holder are convertible (as adjusted from time to time pursuant to Section 5.6 hereof), at each meeting of Stockholders of the Company (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Company for their action or consideration. Except as provided by law, by the provisions of Subsection 5.4.2 below, or by the provisions establishing any other series of Preferred Stock, holders of Series A Preferred Stock and of any other outstanding series of Preferred stock shall vote together with the holders of Common Stock as a single class.

5.4.2. The Company shall not amend, alter or repeal preferences, rights, powers or other terms of the Series A Preferred Stock so as to affect adversely the Series A Preferred Stock, without the written consent or affirmative vote of the holders of at least 66% of the then outstanding shares of Series A Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class. For this purpose, without limiting the generality of the foregoing, the authorization or issuance of any series of Preferred stock which is on a parity

with or has preference or priority over the Series A Preferred Stock as to the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Company shall be deemed to affect adversely the Series A Preferred Stock.

5.5 Option Conversion. The holders of the Series A Preferred

Stock shall have conversion rights as follows (the "Conversion Rights"):

5.5.1. Right To Convert. Each share of Series A Preferred

Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing $1.00 by the Conversion Price (as defined below) in effect at the time of conversion. The Conversion Price at which shares of Common Stock shall be deliverable upon conversion of Series A Preferred Stock without the payment of additional consideration by the holder thereof (the "Conversion Price") shall initially be $1.00. Such initial Conversion Price, and the rate at which shares of Series A Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below, In the event of a liquidation of the Company, the Conversion Rights shall terminate at the close of business on the first full day preceding the date fixed for the payment of any amounts distributable on liquidation to the holders of Series A Preferred Stock.

5.5.2. Fractional Shares. No fractional shares of Common

Stock shall be issued upon conversion of the Series A Preferred Stock. In lieu of fractional shares, the Company shall pay cash equal to such fraction multiplied by the then effective Conversion Price.

5.5.3. Mechanics of Conversion.

5.5.3.1. In order to convert shares of Series A Preferred Stock into shares of Common Stock, the holder shall surrender the certificate or certificates for such shares of Series A Preferred Stock at the office of the transfer agent (or at the principal office of the Company if the Company serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares represented by such certificate or certificates. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or his or its attorney duly authorized in writing. The date or receipt of such certificates and notice by the transfer agent or the Company shall be the conversion date ("Conversion Date"), The Company shall as soon as practicable after the Conversion Date, issue and deliver at such office to such holder, or to his nominees, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled together with cash in lieu of any fraction of a share.

5.5.3.2. The Company shall at all times during which the Series A Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the Series A Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Stock. Before taking any action which could cause

an adjustment reducing the Conversion Price below the then par value of the shares of Common Stock issuable upon conversion for the Series A Preferred Stock, the Company will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Conversion Price.

5.5.3.3. All shares of Series A Preferred Stock, which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor. Any shares of Series A Preferred Stock so converted shall be retired and canceled and shall not be reissued, and the Company may from time to time take such appropriate action as may be necessary to reduce the number of shares of authorized Series A Preferred Stock accordingly.

5.5.3.4. If the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may at the option of any holder tendering Series A Preferred Stock for conversion be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of the Series A Preferred Stock shall not be deemed to have converted such Series A Preferred Stock until immediately prior to the closing of the sale of securities.

5.5.4. Adjustment to Conversion Price for Diluting Issues.

5.5.4.1. Special Definitions. For purposes of this Subsection 5.5.4, the following definitions shall apply:

5.5.4.1.1. "Option" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities, excluding rights or options granted to employees, directors or consultants of the Company pursuant to an option plan adopted by the Board of Directors to acquire up to that number of shares of Common Stock as is equal to 15% of the Common Stock outstanding (provided that, for purposes of this Subsection 5.5.4.1.1, all shares of Common Stock issuable upon (1) exercise of options granted or available for grant under plans approved by the Board of Directors, (2) conversion of shares of Preferred Stock, or (3) conversion of Preferred Stock issuable upon conversion or exchange of any Convertible Security, shall be deemed to be outstanding), minus the total number of Key Employee Shares (as defined below).

5.5.4.1.2. "Original Issue Date" shall mean the date on which the first share of Series A Preferred Stock is first issued.

5.5.4.1.3. "Convertible Securities" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock.

5.5.4.1.4. "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to subsection 5.5.4.3. below, deemed to be issued) by the Company after the Original Issue Date, other than Key Employee Shares (as defined below) and other than shares of Common Stock issued or issuable;

5.5.4.1.4.1. as a dividend or distribution on Series A Preferred Stock;

5.5.4.1.4.2 by reason of a dividend, stock split, Additional Shares of Common Stock by the foregoing clause 5.5.4.1.4.1;

5.5.4.1.4.3. upon the exercise of options excluded from the definition of "Option" in Subsection 5.5.4.1.1; or

5.5.4.1.4.4. upon conversion of shares of Series A preferred Stock.

5.5.4.1.5. "Key Employee Shares" shall mean shares of Common Stock issued to directors or key employees of or consultants to the Company pursuant to a restricted stock plan or agreement approved by the Board of Directors, up to that number of shares of Common Stock as is equal to fifteen (15%) percent of the Common Stock outstanding (provided that, for purposes of this Subsection 5.5.4.1.5. all shares of Common Stock issuable upon (1) exercise of options granted or available for grant under plans approved by the Board of Directors, (2) conversion of shares of Preferred Stock, or (3) upon conversion of Preferred Stock issuable upon conversion or exchange of any Convertible Security, shall be deemed to be outstanding), minus the total number of shares subject to or issued pursuant to options excluded from the definition of "Option" in paragraph (A) above (subject to appropriate adjustment for any stock dividend, stock split, combination or similar recapitalization affecting such shares).

5.5.4.1.6. "Rights to Acquire Common stock" (or "Rights") shall mean all rights issued by the Company to acquire common stock whatever by exercise of warrant, option or similar call or conversion of any existing instruments, in either case for consideration fixed, in amount or by formula, as of the date of issuance.

5.5.4.2. No Adjustment of Conversion Price. No adjustment in the number of shares of Common Stock into which the Series A Preferred Stock is convertible shall be made, by adjustment in the applicable conversion Price thereof: (a) unless the consideration per share (determined pursuant to Subsection 5.5.3.5) below for an Additional Share of Common Stock issued or deemed to be issued by the Company is less than the applicable Conversion Price in effect on the date of, and immediately prior to, the issue of such additional shares, or (b) if prior to such issuance, the Company receives written notice from the holders of at least 66 2/3% of the outstanding shares of Series A Preferred Stock agreeing that no such adjustment shall be made as the result of the issuance of Additional Shares of Common Stock.

5.5.4.3. Issue of Securities Deemed Issue of Additional Shares of Common Stock. If the Company at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or other Rights to Acquire Common Stock, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options, Rights or, in the case of Convertible Securities, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Subsection 5.5.4.5 hereof) of such Additional Shares of Common Stock would be less than the applicable Conversion Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

5.5.4.3.1. No further adjustment in the Conversion Price shall be made upon the subsequent issue of shares of Common Stock upon the exercise of such Rights or conversion or exchange of such Convertible Securities;

5.5.4.3.2. Upon the expiration or termination of any unexercised Option or Right, the Conversion Price shall not be readjusted, but the Additional Shares of Common Stock deemed issued as the result of the original issue of such Option or Right shall not be deemed issued for the purposes of any subsequent adjustment of the Conversion Price; and

5.5.4.3.3. In the event of any change in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any Option, Right or Convertible Security, including, but not limited to, a change resulting from the anti-dilution provisions thereof, the Conversion Price then in effect shall forthwith be readjusted to such Conversion Price as would have obtained had the adjustment that was made upon the issuance of such Option, Right or Convertible Security not exercised or converted prior to such change been made upon the basis of such change, but no further adjustment shall be made for actual issuance of Common Stock upon the exercise or conversion of any such Option, Right or Convertible Security.

5.5.4.4. Adjustment of Conversion Price upon Issuance of Additional Shares of Common Stock. If the Company shall at any time after the Original Issue Date issue Additional Shares of Common Stock (other than in the acquisition of the assets of capital stock of another corporation but including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 5.5.4.3, but excluding shares issued as a dividend or distribution as provided in Subsection 5.5.6 or upon a stock split or combination as provided in Subsection 5.5.5), without consideration or for a consideration per share less than the applicable Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, such Conversion Price shall be reduced, concurrently with such issue to a price (calculated to the nearest cent) determined by multiplying such Conversion Price by a fraction (a) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of Additional Shares of Common Stock so issued would purchase at such Conversion Price;

and (b) the denominator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of such Additional Shares of Common Stock so issued. Notwithstanding the foregoing, the applicable Conversion Price shall not be reduced if the amount of such reduction would be an amount less than $.05, but any such amount shall be carried forward and reduction with respect thereto made at the time of and together with any subsequent reduction which, together with such amount and any other amount or

amounts so carried forward, shall aggregate $.05 or more.

5.5.4.5 Determination of Consideration. For purposes of this Subsection 5.5.4, the consideration received by the Company for the issue of any Additional Shares of Common Stock shall be computed as follows:

5.5.4.5.1. Cash and property: Such consideration shall:

5.5.4.5.1.1. insofar as it consists of cash, be computed at the aggregate of cash received by the Company, excluding amounts paid or payable for accrued interest or accrued dividends;

5.5.4.5.1.2. insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

5.5.4.5.1.3. in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Company for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (1) and (2) above, as determined in good faith by the Board of Directors.

5.5.4.5.2. Options, Rights and Convertible Securities. The consideration per share received by the Company for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 5.5.4,3 relating to Options, Rights and Convertible Securities, shall be determined by dividing

- the total amount, if any, received or receivable by the company as consideration for the issue of such options, Rights or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options, Rights or the conversion or exchange of such Convertible Securities, by

- the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such options or the conversion or exchange of such Convertible Securities.

5.5.5. Adjustment for Stock Splits and Combinations. If the Company shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Stock, the Conversion price then in effect immediately before that subdivision shall be proportionately decreased. If the Company shall at any time or from time to time after the original Issue Date combine the outstanding shares of Common Stock, the Conversion Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on that date the subdivision or combination becomes effective.

5.5.6. Adjustment for Certain Dividends and Distributions. In the event the Company at any time, or from time to time after the Original Issue Date shall make or issue, a dividend or other distribution payable in Additional Shares of Common Stock, then and in each such event the Conversion Price shall be decreased as of the time of such issuance, by multiplying the Conversion Price by a fraction:

- the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and

- the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance this the number of shares of Common Stock issuable in payment of such dividend or distribution.

5.5.7. Adjustments_for_0ther Dividends and Distributions. In the event the Company at any time or from time to time after the Original Issue Date shall make or issue a dividend or other distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of shares of the Series A Preferred Stock shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company that they would have received had their Series A Preferred Stock been converted into Common Stock on the date of such event and had thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period given application to all adjustments called for during such period, under this paragraph with respect to the rights of the holders of the Series A Preferred Stock.

5.5.8. Adjustment for Reclassification, Exchange, or Substitution. If the Common Stock issuable upon the conversion of the Series A Preferred Stock shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares or stock dividend provided for above, or a reorganization, merger, consolidation, or sale of assets for below), then and in each such event the holder of each share of Series A Preferred Stock shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by holders of the number of shares of Common Stock into which such shares of Series A Preferred

Stock might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

5.5.9. Adjustment for Merger or Reorganization, etc. In case of any consolidation or merger of the Company with or into another corporation or the sale of all or substantially all of the assets of the Company to another corporation.

5.5.9.1. if the surviving entity shall consent in writing to the following provisions,-then each share of Series A Preferred Stock shall thereafter be convertible into the kind and amount of shares of stock or other securities or party to which a holder of the number of shares of Common Stock of the Company deliverable upon conversion of such Series A Preferred Stock would have been entitled upon such consolidation, merger or sale; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application for the provisions in this Section 5.5 set forth with respect to the rights and interest thereafter of the holders of the Series A Preferred Stock, to the end that the provisions set forth in this Section 5.5 (including provisions with respect to changes in and other adjustments of the Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Series A Preferred Stock; or

5.5.9.2. if the surviving entity shall not so consent, then each holder of Series A Preferred stock may, after receipt of notice specified in Subsection 5.5.9.1, elect to convert such Stock into Common Shares as provided in this Section 5.5 or to accept the distributions to which such holder shall be entitled under Section 5.3.

5.5.10. No Impairment. The Company will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of

any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5,5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Preferred Stock against impairment,

5.5.11. Certificate as to Adjustments. Upon the occurrence
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of each adjustment or readjustment of the Conversion Price pursuant to this Section 5.5., the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder, if any, of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based and shall file a copy of such certificate with its corporate records. The Company shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a similar certificate setting forth (1) such adjustments and readjustment, (2) the Conversion Price then in effect, and (3) the number of shares of Common Stock and the amount, if any, of other property which then would be received upon the conversion of Series A Preferred Stock. Despite such adjustment or readjustment, the form of each or all Series A Preferred Stock Certificates, If the same shall reflect the initial or any subsequent conversion price, need not be

changed in order for the adjustments or readjustments to be valued in accordance with the provisions of this Certificate of Designation, which shall control.

5.5.12. Notice of Record Date. In the event:

5.5.12.1. that the Company declares a dividend (or any other distribution) on its Common Stock payable in Common Stock or other securities of the Company;

5.5.12.2. that the Company subdivides or combines its outstanding shares of Common Stock;

5.5.12.3. of any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock or a stock dividend or stock distribution thereon), or of any consolidation or merger of the Company into or with another corporation, or of the sale of all or substantially all of the assets of the Company; or

5.5.12.4. of the involuntary or voluntary dissolution, liquidation or winding up of the Company then the Company shall cause to be filed at its principal office or at the office of the transfer agent of the Series A Preferred Stock and shall cause to be mailed to the holders of the Series A Preferred Stock at their last addresses as shown on the records of the Company or such transfer agent, at least ten days prior to the record date specific in (A) below or twenty days before the date specified in (B) below, a notice stating

5.5.12.5. the record date of such dividend, distribution, subdivision or combination, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution subdivision or combination are to be determined, or

5.5.12.6. the date on which such reclassification, consolidation, merger, sale, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, dissolution or winding up.

5.6 Mandatory Conversion.

5.6.1. The Company shall convert all shares of Series A Preferred Stock then outstanding into shares of Common Stock, at the then effective conversion rate pursuant to Section 5.5, on (1,) the closing of the sale of shares of Common Stock in a fully underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as

amended, other than a registration relating solely to a transaction under Rule 145 under such Act (or any successor thereto) or to an employee benefit plan of the Company, underwritten by a underwriter of national

reputation, resulting in at least 55,000,000 of gross proceeds to the Company, or (2), the conversion into Common Stock of a majority of the outstanding shares of Series A Preferred Stock.

5.6.2. All holders of record of shares of Series A Preferred Stock then outstanding will be given at least 10 days' prior written notice of the date fixed and the place designated for mandatory or special conversion of all such shares of Series A Preferred, Stock pursuant to this Section 5.6. Such notice will be sent by first-class or registered mail, postage prepaid, to each record holder of Series A Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series A Preferred Stock (or the records of the Company, if it serves as its own transfer agent).

5.7. Redemption of the Series A Preferred Stock.

5.7.1. If, on August 31, 2006, any shares of Series A Preferred Stock shall be then outstanding, the Company shall have the right to redeem (unless otherwise prevented by law) all (but not less than all) such outstanding shares at an amount per share equal to $1.00 (the "Mandatory Redemption Price").

5.7.2. Sixty days prior notice by the Company of the exercise of the redemption option pursuant to Section 5.7J shall be sent by first-class certified mail, postage prepaid and return receipt requested, by the Company to the holders of the shares of Series A Preferred Stock to be redeemed at their respective addresses as the same shall appear on the books of the Company.

5.7.3. On or prior to each Redemption Date, the Company shall deposit the Redemption Price of all shares of Series A Preferred Stock designated for redemption in the redemption notice and not yet redeemed, with irrevocable instructions and authority to the bank or trust corporation to pay the Redemption Price for such shares to their respective holders on or after the Redemption Date upon receipt of such notification from the Company that such holder has surrendered his share certificate to the Company pursuant to Section 5.7.2 above. As of the Redemption Date, the deposit shall constitute full payment of the shares to their holders, and from and after the Redemption Date the shares so called for redemption shall be redeemed and shall be deemed to be no longer outstanding, and the holders thereof shall cease to be stockholders with respect to such shares and shall have no rights with respect thereto except the rights to receive from the bank or trust corporation payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor. Such instructions shall also provide that any moneys deposited by the Company pursuant to this Section 5.7.3 for the redemption of shares thereafter converted into shares of the Company's Common Stock pursuant to Section 5.7.5 hereof prior to the Redemption Date shall be returned to the Company forthwith upon such conversion. The balance of any moneys deposited by the Company pursuant to this Section 5.7.3 remaining unclaimed at the expiration of two (2) years following the Redemption Date shall thereafter be returned to the Company upon its request expressed in a resolution of its Board of Directors.

5.7.4. If upon the Mandatory Redemption Date the assets of the Company available for redemption arc insufficient to pay the holders of outstanding shares of Series A

Preferred Stock the full amounts to which they are entitled, such holders of shares of Series A Preferred Stock shall share ratably according to the respective amounts which would be payable in respect of such shares to be redeemed by the holders thereof, if all amounts payable on or with respect to such shares were paid in full.

5.7.5. Optional Redemption.

5.7.5.1. Upon the occurrence of any Option Redemption Event the Company will, by notice given to each holder of Series A Preferred Stock, offer to redeem all (but not fewer than all) shares of Series A Preferred Stock then owned by such holder at the Mandatory Redemption Price, except as otherwise provided in Subsection 5.7.5.3.2 below,

5.7.5.2. Upon receipt of a notice given pursuant to Section 5.7.5.1, each holder of Series A Preferred Stock shall have the right to accept such offer by tendering such holder's shares to the Company for redemption, at an address to be set forth in such notice, at any time prior to 5:00 p.m. Phoenix, Arizona time on the 15th day following the making of the offer to redeem by notice given as described herein.

5.7.5.3. The following shall be Optional Redemption Events:

5.7.5.3.1. the failure, for any reason beyond the reasonable control of the Company, of the Company to have received a total consideration of at least $1,000,000 in respect of the sale of shares of Series A Preferred Stock before June 30, 1997; provided, however, that if, through no fault of the Company, a purchaser who has subscribed for shares of Series A Preferred Stock fails to purchase the number of Series A Preferred Stock it has subscribed for, the Company shall have 90 days from the date of notice to the Company of such failure or refusal to find a qualified replacement purchaser;

5.7.5.3.2. the failure, for any reason beyond the reasonable control of the Company, to have closed a sale of shares of Common Stock in a fully underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, other than a registration relating solely to a transaction under Rule 145 under such Act (or any successor thereto) or to an employee benefit plan of the Company, underwritten by a underwriter of national reputation, resulting in at least 35,000,000 of gross proceeds to the Company (an "IPO Closing"); provided, however, that the Company shall pay a multiple of the Mandatory Redemption Price as follows:

5.7.5.3.2.1. 125% of the Mandatory Redemption Price if an IPO Closing shall not have occurred prior to February 28, 1997;

5.7.5.3.2.2. 135% of the Mandatory Redemption Price if an IPO Closing shall not have occurred prior to August 31,1997; and

5.7.5.3.2.3. 150% of the Mandatory Redemption Price if an IPO Closing shall not have occurred prior to February 28, 1998.

5.7.5.3.3. the occurrence of a Change of Control, which shall be deemed to have occurred if:

5.7.5.3.3.1. any person or group of related or affiliated persons shall have become the beneficial owner or owners of 40% or more of the outstanding voting stock of the Company; provided, that beneficial ownership of Series A Preferred Stock shall not be given effect toward counting a person's or group of related or affiliated persons' beneficial ownership;

5.7.5.3.3.2. there shall have occurred a merger or consolidation in which the Company is not the survivor or in which holders of Common Stock of the Company shall have become entitled to receive cash, securities of the Company other than voting Common Stock or securities of any other person;

5.7.5.3.3.3. at any time a majority of the members of the Board of Directors of the Company shall be persons who were elected at one or more meetings held, or by one or more consents given, by the stockholders of the Company during the preceding twelve months and who were not members of the Board of Directors twelve months prior to that time; or

5.7.5.3.3.4. if the Company shall take any action referred to in Section 5,3.1 without having obtained the required consent of the holders of Series A Preferred Stock.

5.7.6 Cancellation of Redeemed Stock. Any shares of Series A Preferred Stock redeemed pursuant to this Section or otherwise acquired by the Company in any manner whatsoever shall be canceled and shall not under any circumstances be reissued; the Company may from time to time take such appropriate corporate action as may be necessary to reduce accordingly the number of authorized shares of the Company's capital stock.

5.7.7. The Company will not, and will not permit any subsidiary of the Company to, purchase or acquire any shares of Series A Preferred Stock otherwise than pursuant to (1) the terms of this Section, or (2) an offer made on the same terms to all holders of Series A Preferred Stock at the time outstanding.

5.7.8. Anything contained in this Section 5.7 to the contrary notwithstanding, the holders of shares of Series A Preferred Stock to be redeemed in accordance with this Section shall have the right, exercisable at any time up to the close of business on the applicable redemption date (unless the Company is legally prohibited from redeeming such shares on such date, in which event such right shall be exercisable until the removal of such legal disability), to convert all or any part of such shares to be redeemed as herein provided into shares of Common Stock pursuant to Section 5,6 hereof.

6. Designation of Series B Convertible Preferred Stock. In accordance with the foregoing Article FOURTH, the corporation shall have the authority to issue a class of Preferred Stock which shall have the following preferences, voting powers, qualifications, special or relative rights and privileges:

6.1. Designation and Amount. The class of Preferred Stock of the Corporation authorized as part of the Preferred Stock by this paragraph 6.1 of Article SIXTH shall be designated as Series B Convertible Preferred Stock, $.001 par value, (the "Series B Preferred Stock"), and the number of shares constituting such class shall be 2,500,000.

6.2. Dividends. No dividends shall be declared and set aside for any shares of the Series B Preferred Stock.

6.3. Liquidation, Dissolution or Winding Up.

6.3.1. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, after and subject to the payment in full of all amounts required to be distributed, to the holders of any other class or series of stock of the Company ranking on liquidation prior and in preference to the Series B Preferred Stock (collectively referred to as "Senior Preferred Stock").

6.3.2. After the payment of all preferential amounts required to be paid to the holders of Senior Preferred Stock upon the dissolution, liquidation, or winding up of the Company, all of the remaining assets and funds of the Company available for distribution to its stockholders shall be distributed ratably among the holders of the Series B Preferred Stock, such other series of Preferred Stock as are considered as similarly participating, and the Common Stock, with each share of Series B Preferred Stock being deemed, for such purpose, to be equal to the number of shares of Common Stock, including fractions of a share, into which such share of Series B Preferred Stock is convertible immediately prior to the close of business on the business day Fixed for such distribution.

6.4. Voting.

6.4.1. Each holder of outstanding shares of Series B Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series B Preferred Stock held by such holder are convertible (as adjusted from time to time pursuant to

Section 6.5 hereof), at each meeting of stockholders of the Company (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Company for their action or consideration. Holders of Series B Preferred Stock shall vote separately as a single class; provided, however, that at any time there are less than 400,000 shares of Series B Preferred Stock outstanding, the holders of Series B Preferred Stock shall vote together with the holders of Common Stock, and such holders of any other series of Preferred Stock as vote with such holders of Common Stock, as a single class.

6.4.2. The Company shall not amend, alter or repeat preferences, rights, powers or other terms of the Series B Preferred Stock so as to affect adversely the Series B Preferred Stock, without the written consent or affirmative vote of the holders of at least 66% of the then outstanding shares of Series B Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class. For this purpose, without limiting the generality of the foregoing, the authorization of any new series of Preferred Stock which is on a parity with or has preference or priority over the Series B Preferred Stock as to the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Company shall be deemed to affect adversely the Series B Preferred Stock.

6.5 Option Conversion. The holders of the Series B Preferred Stock shall have conversion rights as follows (the "Series B Conversion Rights"):

6.5.1. Right to Convert. Fifty-percent of the shares of Series R Stock of each holder of such stock shall be convertible, at the option of the holder thereof, at any time up to the first anniversary of, and from time to time after, the Primary Trigger Event (as defined below) shall have occurred, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing $1.00 by the Series B Conversion Price (as defined below) in effect at the time of conversion. Each share of Series B Preferred Stock shall be convertible, at the option of the holder thereof, at any time up to the first anniversary of, and from time to time after, the Secondary Trigger Event (as defined below) shall have occurred, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing $1.00 by the Series B Conversion Price in effect at the time of conversion. Each share of Series B Preferred Stock outstanding as of November 30, 2003 shall be convertible, at the option of the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing $10.00 by the Series B Conversion Price in effect at the time of conversion. The conversion price at which shares of Common Stock shall be deliverable upon conversion of Series B Preferred Stock without the payment of additional consideration by the holder thereof (the "Series B Conversion Price") shall initially be $1,00. Such initial Series B Conversion Price, and the rate at which shares of Series B Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below. In the event of a liquidation of the Company, the Series B Conversion Rights shall terminate at the close of business on the first full day preceding the date fixed for the payment of any amounts distributable on liquidation to the holders of Series B Preferred Stock. For purposes hereof, the "Primary Trigger Event" shall occur when the Market Price (as defined below) per share of Common Stock reaches $5.00 or higher. The "Secondary Trigger Event" shall occur when either the cumulative after tax earnings of the Corporation reaches 15,000,000 or when the Market Price per share of Common Stock reaches $7.50 or higher, "Market Price" means, with respect to any securities on a given date, the average of the Closing Prices for 30 consecutive Trading Days ending on the Trading Day immediately preceding the date in question. As used herein, "Closing Price" means the last reported sale price regular way or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such sale or sales, as applicable, are not so reported, the reported last sales price regular way or, if no, such sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the principal national securities exchange on which such securities are listed or admitted to

trading, or if not listed or admitted to trading on any national securities exchange, on the National Association of Securities Dealers Automated Quotations National Market System (the "NMS") or, if not listed or admitted to trading on any national securities exchange or quoted OB the NMS, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected by the Company for that purpose. "Trading Day" means each Monday, Tuesday, Wednesday, Thursday and Friday, other than any day on which securities are not traded on such exchange or in such market. If such securities are not listed or admitted to trading on any national securities exchange, quoted on the NMS or traded in the over-the-counter market, the "Market Price" per share on any date will be deemed to be the fair market value thereof.

6.5.2. Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Series B Preferred Stock. In lieu of fractional shares, the Company shall pay cash equal to such fraction multiplied by the then effective Series B Conversion Price.

6.5.3. Mechanics of Conversion.

6.5.3.1. In order to convert shares of Series B Preferred Stock into shares of Common Stock, the holder shall surrender the certificate or certificates for such shares of Series B Preferred Stock at the office of the transfer agent (or at the principal office of the Company if the Company serves as its own transfer agent with respect to the Series B Preferred Stock), together with written notice that such holder elects to convert all or any number of the shares represented by such certificate or certificates. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or installments of transfer, in form satisfactory to the Company, duly executed by the registered holder or his or its attorney duly authorized in writing. The date or receipt of such certificates and notice by the transfer agent or the Company shall be the conversion date ("Conversion Date"). The Company shall as soon as practicable after the Conversion Date, issue and deliver at such office to such holder, or to his nominees, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled together with cash in lieu of any fraction of n share.

6.5.3.2. The Company shall at all times during which the Series B Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the Series B Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series B Preferred Stock. Before taking any action which could cause an adjustment reducing the Series B Conversion Price below the then par value of the shares of Common Stock issuable upon conversion for the Series B Preferred Stock, the Company will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Series B Conversion Price.

6.5.3.3. All shares of Series B Preferred Stock, which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor. Any shares of Series B Preferred Stock so converted shall be retired and canceled and shall not be reissued, and the Company may from time to time take such appropriate action as may be necessary to reduce the number of shares of authorized Series B Preferred Stock accordingly.

6.5.3.4. If the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may at the option of any holder tendering Series E Preferred Stock for conversion be conditioned upon the closing with the

underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of the Series B Preferred Stock shall not be deemed to have converted such Series B Preferred Stock until immediately prior to the closing of the sale of securities.

6.5.4. Adjustment to Conversion Price for Diluting Issues.

6.5.4.1. Special Definitions. For purposes of this Subsection 6.5.4, the following definitions shall apply:

6.5.4.1.1. "Option" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities, excluding rights or options granted to employees, directors or consultants of the Company pursuant to an option plan adopted by the Board of Directors to acquire up to that number of shares of Common Stock as is equal to 15% of the Common Stock outstanding (provided that, for purposes of this Subsection 6.5.4.1.1, all shares of Common Stock issuable upon (1) exercise of options granted or available for grant under plans approved by the Board of Directors, (2) conversion of shares of Preferred Stock, or (3) conversion of Preferred Stock issuable upon conversion or exchange of any Convertible Security, shall be deemed to be outstanding), minus the total number of Key Employee Shares (as defined below).

6.5.4.1.2. "Original Issue Date" shall mean the date on which the first share of Series B Preferred Stock is first issued.

6.5.4.1.3. "Convertible Securities" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock.

6.5.4.1.4. "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Company after the Original Issue Date, other than Key Employee Shares (as defined below) and other than shares of Common Stock issued or issuable;

6.5.4.1.4.1. as a dividend or distribution on Series B Preferred Stock;

6.5.4.1.4.2. by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock excluded from the definition of Additional Shares of Common Stock by the foregoing clause 6.5.4.1.4.1;

6.5.4.1.4.3. upon the exercise of options excluded from the definition of "Option" in Subsection 6.5 A 1.1; or

6.5.4.1.4.4. upon conversion of shares of Series B Preferred Stock.

6.5.4.1.5. "Key Employee Shares" shall mean shares of Common Stock issued to directors or key employees of or consultants to the Company pursuant to a restricted stock plan or agreement approved by the Board of Directors, up to that number of shares of Common Stock as is equal to fifteen (15%) percent of the Common Stock outstanding (provided that, for purposes of this Subsection 6.5.4.1.5. all shares of Common Stock issuable upon (1) exercise of options granted or available for grant under plans approved by the Board of Directors, (2) conversion of shares of Preferred Stock, or (3) upon conversion of Preferred Stock issuable upon conversion or exchange of any Convertible Security, shall be deemed to be outstanding), minus the total number of shares subject to or issued pursuant to options excluded from the definition of "Option" in paragraph (A) above (subject to appropriate adjustment for any stock dividend, stock split, combination or similar recapitalization affecting such shares),

6.5.5. Adjustment for Stock Splits and Combinations. If the Company shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Stock, the Series B Conversion

Price then in effect immediately before that subdivision shall be proportionately decreased. If the Company shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, the Series B Conversion Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on that date the subdivision or combination becomes effective.

6.5.6. Adjustment for Certain Dividends and Distributions.

In the event the Company at any time, or from time to time after the Original Issue Date shall make or issue, a dividend or other distribution payable in Additional Shares of Common Stock, then and in each such event the Series B Conversion Price shall be decreased as of the time of such issuance, by multiplying the Series B Conversion Price by a fraction:

- the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and

- the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance plus the

number of shares of Common Stock issuable in payment of such dividend or distribution.

6.5.7. Adjustments for Other Dividends and Distributions.

In the event the Company at any time or from time to time after the Original Issue Date shall make or issue a dividend or other distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of shares of the Series B Preferred Stock shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company that they would have received had their Series B Preferred Stock been converted into Common Stock on the date of such event and had thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period given, application to all adjustments called for during such period, under this paragraph with respect to the rights of the holders of the Series B Preferred Stock.

6.5.8. Adjustment for Reclassification, Exchange, or Substitution. If the Common Stock issuable upon the conversion of the Series B Preferred Stock shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares or stock dividend provided for above, or a reorganization, merger, consolidation, or sale of assets provided for below), then and in each such event the holder of each share of Series B Preferred Stock shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by holders of the number of shares of Common Stock into which such shares of Series B Preferred Stock might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

6.5.9. Adjustment for Merger, or Reorganization, etc. In case of any consolidation or merger of the Company with or into another corporation or the sale of all or substantially all of the assets of the Company to another corporation:

6.5.9.1. if the surviving entity shall consent in writing to the following provisions, then each share of Series B Preferred Stock shall thereafter be convertible into the kind and amount of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Company deliverable upon conversion of such Series B Preferred

Stock would have been entitled upon such consolidation, merger or sale; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application for the provisions in this Section 6.5 set forth with respect to the rights and interest thereafter of the holders of the Series B Preferred Stock, to the end that the provisions set forth in this Section 6.5 (including provisions with respect to changes in and other adjustments of the Series B Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Series B Preferred Stock; or

6.5.9.2. if the surviving entity shall not so consent, then each holder of Series B Preferred Stock may elect to convert such Series B Preferred Stock into Common Shares as provided in this Section 6.5 or to accept the distributions to which such holder shall be entitled under Section 6.3.

6.5.10. No Impairment. The Company will not, by amendment
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of its Articles of Incorporation, as amended, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6.5 and in the taking of all such action as may be necessary or appropriate in order to protect the Series B Conversion Rights of the holders of the Series B Preferred Stock against impairment.

6.5.11. Certificate as to Adjustments. Upon the occurrence
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of each adjustment or readjustment of the Series B Conversion Price pursuant to this Section 6.5., the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder, if any, of Series B Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based and shall file a copy of such certificate with its corporate records. The Company shall, upon the written request at any time of any holder of Series B Preferred Stock, furnish or cause to be furnished to such holder a similar certificate setting forth (1) such adjustments and readjustments, (2) the Series B Conversion Price then in effect, and (3) the number of shares of Common Stock and the amount, if any, of other property which then would be received upon the conversion of Series B Preferred Stock. Despite such adjustment or readjustment, the form of each or all Series B Preferred Stock certificates, if the same shall reflect the initial or any subsequent conversion price, need not be changed in order for the adjustments or readjustments to be valued in accordance with the provisions of this Certificate of Designation, which shall control.

6.5.12. Notice of Record Date. In the event:

6.5.12.1 that the Company declares a dividend (or any other distribution) on its Common Stock payable in Common Stock or other securities of the Company;

6.5.12.2 that the Company subdivides or combines its outstanding shares of Common Stock;

6.5.12.3 of any rectification of the Common Stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock or a stock dividend or stock distribution thereon), or of any consolidation or merger of the Company into or with another corporation, or of the sale of all or substantially all of the assets of the Company; Or

6.5.12.4. of the involuntary or voluntary dissolution, liquidation or winding up of the Company

then the Company shall cause to be filed at its principal office or at the office of the transfer agent of the Series B Preferred Stock and shall cause to be mailed to the holders of the Series B Preferred Stock at their last addresses

as shown on the records of the Company or such transfer agent, at least ten days prior to the record date specific in (A) below or twenty days before the date specified in (B) below, a notice stating

6.5.12.4.1 the record date of such dividend, distribution, subdivision or combination, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution subdivision or combination are to be determined, or

6.5.12.4.2 the date on which such reclassification, consolidation, merger, sale, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, dissolution or winding up.

6.6. Forfeiture of the Series B Preferred Stock. Any Series B Preferred Stock shall be canceled and forfeited forthwith, and all rights of any holder of such Series B Preferred Stock and any accrued and unpaid dividends thereon shall immediately terminate, if such Series B Preferred Stock is outstanding on November 30, 2004.

7. Stock Rights and Options. The Corporation shall have authority, as provided under the laws of the State of Nevada, to create and issue rights and options entitling the holders thereof to purchase shares of stock of the Corporation. The issuance of such rights and options, whether or not to directors, officers or employees of the Corporation or of any affiliate thereof and not to the stockholders generally, need not be approved or ratified by the stockholders of the Corporation or be authorized by or be consistent with a plan approved or ratified by the stockholders of the Corporation.

8. Directors and Officers. The number of persons to serve on the board of directors thereafter shall be fixed by the Bylaws, but the number of directors fixed by the Bylaws shall never be less than one.

9. Distributions to Stockholders. The hoard of directors of the corporation may from time to time, distribute to its stockholders, a portion of its assets, in cash or property, whether or not the distribution, after giving it effect would cause the Corporation's total assets to be less than the sum of the total liabilities plus the amount that would be needed, if dissolution were to occur at the time of distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. The Board of Directors may base a determination that a distribution is permitted hereunder on (i) financial statements prepared on the basis of accounting practices that are reasonable under the circumstances; (ii) a fair valuation, including, but not limited to, unrealized appreciation and depreciation; or (iii) any other method that is reasonable in the circumstances.

10. Director and Officer Liability. A director and officer of the Corporation shall not be personally liable to the Corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, except for liability (i) for acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) for authorizing the unlawful distribution in violation of Section 78,300 of the Nevada General Corporation Law. If the Nevada General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors or officers, then the liability of a director or officer of the Corporation shall be eliminated or limited to the fullest extent permitted by the Nevada General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification. No amendment to the Nevada Revised Statutes that further limits the acts,

omissions or transactions for which elimination or limitation of liability is permitted shall affect the liability of a director or officer for any act, omission or transaction which occurs prior to the effective date of such amendment.

Dated: December 11, 1998 RIGL Corporation
--

By: /s/ Kevin L. Jones

Kevin L. Jones, President

By: /s/ Peter DeKrey

Peter DeKrey, Secretary

THIS FORM SHOULD ACCOMPANY AMENDED AND RESTATED ARTICLES OF INCORPORATION FOR A NEVADA CORPORATION

1. Name of corporation RIGL Corporation
. . . . . .

2. Date of adoption of Amended and Restated Articles December 11, 1998
. . . . . .

3. If the articles were amended, please indicate what changes have been made:
(a) Was there a name change? Yes [ ] No [X] If yes, what is the new name?

Not Amended Restated only
. . . . . .
(b) Did you change the resident agent? Yes [ ] No[X] If yes, please indicate the new resident agent and address.

. . . . . .

. . . . . .
Please attach the resident agent acceptance certificate.
(c) Did you change the purposes? Yes [ ] No [X] Did you add banking? [ ] Gaming? [ ] Insurance? [ ] None of these? [ ]
(d) Did you change the capital stock? Yes [ ] No [X] If yes, what is the new capital stock?

. . . . . .
(e) Did you change the directors? Yes [ ] No [X] If yes, indicate the change:

. . . . . .
(f) Did you add the directors liability provision? Yes [ ] No [X]
(g) Did you change the period of existence? Yes [ ] No [X]
If yes, what is the new existence?

. . . . . .
(h) If none of the above apply, and you have amended or modified the articles, how did you change your articles?

Not Amended - Restated only
. . . . . .

. . . . . .

. . . . . .

Kevin L. Jones, President 1/4/99
. . . . . .
Name and Title of Officer Date

State of Arizona

ss.

County of Maricopa

On January 4, 1999, , personally appeared before me, a Notary Public,

Kevin L. Jones, , who acknowledged

the he/she executed the above instrument.

Official Seal
DIANE N. LEONARD
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires May 15, 2002

Diane N. Leonard
Notary Public

(NOTARY STAMP OR SEAL)

EXHIBIT 3.4

CERTIFICATE OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
RIGL CORPORATION, a Nevada corporation

Pursuant to the provisions of the Nevada Revised Statutes, Title 7, Chapter 78, the undersigned officers do hereby certify:

FIRST: The name of the corporation is RIGL CORPORATION

SECOND: The following sets forth the amendment to the following article:

1. Name. The name of the corporation is

YP.NET, INC. (the "Corporation")

THIRD: The amendment was adopted and approved by the shareholders on August 12, 1999. The number of shares outstanding at the time of such adoption was 38,524,603 and the number of shares entitled to vote thereon was 38,524,603. The number of shares voted for the amendment were 25,176,771. The number of votes for the amendment were sufficient for approval.

DATED September 13, 1999

RIGL CORPORATION, a Nevada Corporation

By: /s/ Kevin L. Jones

Kevin L. Jones, President

By: /s/ Peter de Krey

Peter de Krey, Secretary

STATE OF ARIZONA)
) ss.
COUNTY of Maricopa)

On September 13, 1999, personally appeared before me, a Notary Public, for the State and County aforesaid, KEVIN L JONES, as President of RIGL CORPORATION, who acknowledged that he executed the above instrument.

/s/ Diane N. Leonard

Notary Public

[Notarial Seal]
Official Seal
DIANE N. LEONARD
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires May 15, 2002

(NOTARY STAMP OR SEAL)

STATE OF ARIZONA)
) ss.
COUNTY of Maricopa)

On September 13, 1999, personally appeared before me, a Notary Public, for the State and County aforesaid, PETER DE KREY, as President of RIGL CORPORATION, who acknowledged that he executed the above instrument.

/s/ Diane N. Leonard

Notary Public

[Notarial Seal]

Official Seal
DIANE N. LEONARD
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires May 15, 2002

(NOTARY STAMP OR SEAL)

Exhibit 10.4

LEASE FOR

101 CONVENTION CENTER PLAZA

BETWEEN

TOMORROW 33 CONVENTION, LP

LANDLORD

AND

TELCO BILLING, INC

TENANT

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LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is entered into between Landlord and Tenant, each as defined below in Section 1.

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1. THE PARTIES

Landlord's Name and type of entity:	Tomorrow 33 Convention L.P. a Delaware Limited Partnership
Landlord's Addresses for Notices:	330 Garfield Street, Suite 200 Santa Fe, NM 87501
Landlord's Payment Address:	101 Convention Center Drive, Suite 370 Las Vegas, NV 89109
Tenant's Name; and Type of entity; and State of organization	Telco Billing, Inc a Nevada Corporation
Tenant's Address for Notices:	4840 E Jasmine Street Suite 105 Mesa AZ 85205
Tenant's Social Security or Federal ID Number	880391859

2. DEFINITIONS AND BASIC TERMS

The following definitions and basic terms shall have the indicated meanings when used in this Lease:

a.	Building:	101 Convention Center Drive, Las Vegas, NV 89109
b.	Premises:	Suites 1001/1002 in the Building. The Premises are outlined on the plan attached to the Lease as Exhibit "B".

c.	Property:	The Building, the parcel of land upon which the Building is situated and any other improvements located thereon. The legal description of the Property is attached to the Lease as Exhibit "A".
d.	Tenant's Rentable Square Feet:	3,591
e.	Total Rentable Square Feet in the Building:	304,849
f.	Tenant's Proportionate Share:	1.18% which is the percentage obtained by dividing (i) Tenant's Rentable Square Feet by (ii) the total Rentable Square Feet in the Building. Tenant's Percentage shall be equitably adjusted in the event of a change in the number of rentable square feet of space in the Building.
g.	Scheduled Commencement Date:	September 1, 2003
h.	Commencement Date:	The Commencement Date is defined in Section 4.
i.	Term:	Thirty-seven months, commencing on the Commencement Date and ending at 5:00 p.m., September 1, 2006 subject to adjustment and earlier termination as provided in the Lease.
j.	Base Rent	

Lease Years	Monthly Base Rent	Annual Base Rent
9/01/03-9/30/03	$0	N/A
10/01/03-9/30/04	$16,643.35	$199,720.20
10/01/04-9/30/05	$16,842.65	$202,111.81
10/01/05-9/30/06	$17,047.93	$204,575.15

k.	Additional Rent:	Additional Rent is defined in Section 6.
l.	Rent:	Base Rent, Additional Rent and all other sums that Tenant may owe to Landlord under this Lease.
m.	Security Deposit:	$ 17,093.16

n.	Base Year:	Base Year: 2004
o.	Permitted Use:	General office use and no other
p.	Property Management Company/Address:	Kennedy Wilson Properties, Ltd. 101 Convention Center Drive, Suite 370 Las Vegas, NV 89109
q.	Guarantor(s) (name and address):	YP.NET
r.	Parking Spaces:	Landlord shall grant to Tenant the use of ten (10) covered parking spaces within the Buildings parking garage, at a rate of twenty ($20.00) dollars per space per month for the initial lease term and any Option to renew.
s.	Landlord's Mortgagee:	ING Investment Management LLC 5780 Powers Ferry Road, NW, Suite 300
	and Address:	Atlanta, Georgia 3032-4349
	or such other future mortgagee	and address as Landlord shall advise Tenant.

</TABLE>

3. PREMISES

3.1 Premises. Landlord, in consideration of the Rent to be paid and the covenants and agreements to be performed by Tenant, does hereby lease unto Tenant the Premises, together with the non-exclusive right and easement to use the parking, if any, and any other common facilities in or on the Building and the Property, to the extent the same may exist, which may from time to time be furnished by Landlord, in common with Landlord and the tenants and occupants of the Building, and their respective agents, employees, licensees, customers and invitees; subject however to reasonable restrictions by Landlord as to the use of the foregoing.

3.2 Common Areas. Landlord further grants to Tenant the nonexclusive right to use in common with all of the tenants of the Property and their respective clients, employees, agents, customers, invitees and licensees and other persons those areas or parts of the Building and the Property which are designed for use in common by all of the tenants of the Property, including but not limited to entrances and exits, lobbies, hallways, corridors and stairwells, elevators, restrooms, sidewalks, driveways, parking areas, landscaped areas, and such other areas or parts of the Property as may be designated by the Landlord as part of the Common Areas (the "Common Areas") subject to such rules and regulations as Landlord may adopt and modify from time to time relative to the use of the Common Areas.

a. Rules and Regulations for Common Areas. The Common Areas shall at all times be subject to the exclusive management and control of Landlord, and Landlord shall have the right, from time to time, to establish, modify and enforce reasonable rules and regulations with respect to all such Common Areas, and the use of such Common Areas by Tenant shall be subject to such rules and regulations.

b. Changes in Common Areas. Landlord may do and perform such acts in and to said Common Areas as, in Landlord's good business judgment, Landlord shall determine to be advisable. Landlord hereby reserves the right to make alterations, additions, deletions or changes including, but not limited to changes in size and configuration of said Common Areas provided that (i) Tenant has access to the Premises at all times and (ii) the exercise of such rights do not unreasonably interfere with Tenant's business operations in the Premises.

4. TERM

The Commencement Date shall be the later of:

a. the Scheduled Commencement Date or;

b. the date of substantial completion of the Premises by Landlord, as defined below; provided the Commencement Date shall not be extended for delays which are due to (x) special changes or additions required by Tenant; (y) delays of Tenant in submitting plans or specifications, supplying information, giving authorization, or otherwise; or (z) any default or other delay of Tenant (collectively, "Tenant Delays"). The Tenant shall be bound by a written certification by Landlord as to the date that the Premises are ready for occupancy by the Tenant and, in the event that there are Tenant Delays, the Landlord's architect shall determine in its reasonable discretion the date that the Premises would have been ready for occupancy but for such Tenant Delays.

If the Commencement Date is not the first day of a calendar month, then the Term shall be extended by the time between the Commencement Date and the first day of the next month. If this Lease is executed before the Premises become vacant or otherwise available and ready for occupancy by Tenant, or if any present occupant of the Premises holds over and Landlord cannot acquire possession of the Premises before the Commencement Date, then (a) Landlord shall not be in default hereunder or be liable for damages therefore and (b) Tenant shall accept possession of the Premises when Landlord tenders possession thereof to Tenant. Notwithstanding the foregoing, by occupying the Premises, Tenant shall be deemed to have accepted the Premises in its condition as of the date of such occupancy, and the Commencement Date shall be the date of such occupancy. Tenant shall execute and deliver to Landlord, within ten days after Landlord has

requested same, a letter confirming (i) the Commencement Date, (ii) that Tenant has accepted the Premises, and (iii) that Landlord has performed all of its obligations with respect to the Premises (except for punch-list items specified in such letter). The term "substantial completion" (or

"substantially complete") as used in the Lease means the date when the Premises are ready for occupancy by Tenant, subject to completion of minor details of construction or minor mechanical adjustments that do not materially interfere with Tenant's occupancy.

5. PAYMENT OF RENT

a. Payment. Tenant shall timely pay to Landlord, without demand, deduction, abatement or offset (except as otherwise expressly set forth herein), the Rent at Landlord's Payment Address. Rent shall be payable monthly in advance in United States dollars.

The first monthly installment of Rent shall be due and payable contemporaneously with the execution of this Lease; thereafter, monthly installments of Rent shall be due on the first day of the second full calendar month of the Term and continuing thereafter on the first day of each succeeding calendar month during the Term. Rent for any fractional month shall be prorated based on 1/365 of the current annual Rent for each day of the partial month this Lease is in effect, and shall be due on the Commencement Date.

b. Late Payments. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any mortgage or Deed of Trust, covering the Premises. Accordingly, if any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days after such amount shall be due, Tenant shall pay to Landlord a late charge equal to the lesser of 10% of such overdue amount or the maximum allowed by law. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

c. Tenant shall also pay to Landlord monthly as Additional Rent, without demand, any rent tax, sales tax or other tax (other than Landlord's income tax) which may be levied by any authorized governmental authority against the Base Rent or any Additional Rent payable to Landlord under this Lease.

d. Landlord may from time to time designate a lock box collection agent for the collection of Rent or other charges due Landlord. In such event, the date of payment shall be the date of receipt by the lock box collection agent of such payment (or the date of collection of any such sum if payment is made in the form of a negotiable instrument thereafter dishonored upon presentment); however, for the purposes of this Lease, no such payment or collection shall be deemed "accepted" by Landlord if an Event of Default shall have occurred, and if Landlord thereafter remits a check payable to Tenant in the amount received by the lock box collection

agent within twenty one (21) days after the amount sent by Tenant is received by the lock box collection agent or, in the case of a dishonored instrument, within twenty one (21) days after collection. Neither the negotiation of Tenant's negotiable instrument by the lock box collection agent, nor the possession of the funds by Landlord during the twenty one (21) day period, nor the return of any such sum to Tenant shall be deemed to be inconsistent with the rejection of Tenant's tender of such payment (or collection), nor shall any of such events be deemed to be a waiver of any breach by Tenant of any term, covenant or condition of this Lease nor a waiver of any of Landlord's rights or remedies.

6. ADDITIONAL RENT

a. Payment of Additional Rent. Tenant shall pay as Additional Rent any

increases in the amount equal to Tenant's Proportionate Share multiplied by the difference of (a) the total annual Operating Expenses, as defined below, for the calendar year in question and (b) the Operating Expenses for the Base Year. Landlord may collect such amount in a lump sum, due within 30 days after Landlord furnishes to Tenant an annual Operating Expense Statement as defined below. Alternatively, Landlord may make a good faith estimate of the Additional Rent to be due by Tenant for any calendar year or part thereof during the Term, and, unless Landlord delivers to Tenant a revision of the estimated Additional Rent, Tenant shall pay to Landlord, on the Commencement Date and on the first day of each calendar month thereafter, an amount equal to the estimated Additional Rent for such calendar year or part thereof divided by the number of months in such calendar year during the Term. From time to time during any calendar year, Landlord may estimate and re-estimate the Additional Rent to be due by Tenant for that calendar year and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Additional Rent payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the calendar year in question, Tenant shall have paid all of the Additional Rent as estimated by Landlord. Any amounts paid based on such an estimate shall be subject to adjustment pursuant to Section 6c when actual "Operating Expenses" are available for each calendar year.

b. Operating Expenses. "Operating Expenses" shall mean all expenses and disbursements of every kind (subject to the limitations set forth below) which Landlord incurs, pays or becomes obligated to pay in connection with the ownership, operation, and maintenance of the Property, including but not limited to the following:

(i) all taxes and assessments and governmental charges whether federal, state, county or municipal, and whether they be by taxing or management districts or authorities presently taxing or by others, subsequently created or otherwise, and any other taxes and assessments attributable to the Property (or its operation), and the grounds, parking areas, driveways, and alleys around the Property, excluding, however, federal and state taxes on income (collectively, "Property Taxes"); if the present method of taxation changes so that in lieu of the whole or any part of the Property Taxes, there is levied on Landlord a capital tax directly on the rents

received there from or a franchise tax, assessment, or charge based, in whole or in part, upon such rents for the Property, then all such taxes, assessments, or charges, or the part thereof so based, shall be included within the term "Property Taxes";

(ii) wages and salaries of all employees engaged in the operation, repair, replacement, maintenance, and security of the Property, including taxes, insurance and benefits relating thereto;

(iii) management fees

(iv) all supplies and materials used in the operation, maintenance, repair, replacement, and security of the Property;

(v) annual cost of all capital improvements made to the Property which can reasonably be expected to reduce the normal operating costs of the Property, as well as all capital improvements made in order to comply with any law hereafter promulgated by any governmental authority, as amortized over the useful economic life of such improvements as determined by Landlord in its reasonable discretion (without regard to the period over which such improvements may be depreciated or amortized for federal income tax purposes);

(vi) cost of all utilities, other than the cost of utilities actually reimbursed to Landlord by the Building's tenants;

(vii) cost of any insurance or insurance related expense applicable to the Property and the personal property used in connection therewith;

(viii) cost of repairs, replacements, and general maintenance of the Property;

(ix) cost of service or maintenance contracts with independent

contractors for the operation, maintenance, repair, replacement, or security of the Property (including, without limitation, alarm service, window cleaning, and elevator maintenance); and

(x) the amount of basic rent payable under and pursuant to any ground lease pertaining to the land on which the Building is located.

There are specifically excluded from the definition of the term "Operating Expenses" the following costs:

(1) capital improvements made to the Property, other than capital improvements described in subparagraph (iv) above and except for items which, though capital for accounting purposes, are properly considered maintenance and repair items, such as painting of common areas, replacement of carpet in elevator lobbies, and the like;

(2) repair, replacements and general maintenance paid by proceeds of insurance or by Tenant or other third parties, and alterations attributable solely to tenants of the Property other than Tenant;

(3) interest, amortization or other payments on loans by Landlord;

(4) depreciation of the Building;

(5) leasing commissions;

(6) legal expenses, other than those incurred for the general benefit of the Property's tenants (e.g., tax disputes);

(7) renovating or otherwise improving tenant space for other tenants of the Property or vacant space in the Building (except common areas);

(8) correcting structural defects in the construction of the Building; and

(9) federal income taxes imposed on or measured by the income of Landlord from the operation of the Property.

c. Operating Expense Statement. Landlord shall provide an annual Operating Expense statement including a statement of Landlord's actual Operating Expenses for the previous year adjusted as provided in subsection 6d. If the annual Operating Expense Statement reveals that Tenant paid more for Additional Rent than the actual amount due in the year for which such statement was prepared, then Landlord shall promptly credit (or reimburse, if the Lease has terminated and Tenant is not in default) Tenant for such excess. Likewise, if Tenant paid less than the actual amount due, then Tenant shall promptly pay Landlord such deficiency. This provision applies only to Tenant's Additional Rent and shall never require a refund or credit of Base Rent.

d. Building Occupancy. With respect to any calendar year or partial calendar year in which the Building is not occupied to the extent of at least ninety-five percent (95%) of the Total Rentable Square Feet in the Building thereof, then the variable cost components of the Operating Expenses (not including real estate taxes) which are based upon occupancy shall be equitably adjusted so that the total amount of Operating Expenses for such period shall be increased to the amount which would have been incurred had the Building been occupied to the extent of ninety-five percent (95%) of the Total Rentable Square Feet in the Building thereof.

7. SECURITY DEPOSIT

Contemporaneously with the execution of this Lease, Tenant shall pay to Landlord, in immediately available funds, the Security Deposit, which shall be held by Landlord without liability for interest and as security for the performance by Tenant of its obligations under this Lease. The Security

Deposit is not an advance payment of Rent or a measure or limit of Landlord's damages upon an Event of Default (defined below). Landlord may, from time to time and without prejudice to any other remedy, use all or a part of the Security Deposit to perform any obligation which Tenant was

obligated, but failed, to perform hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. Within a reasonable time after the Term ends, provided Tenant has performed all of its obligations hereunder, Landlord shall return to Tenant the balance of the Security Deposit not applied to satisfy Tenant's obligations. If Landlord transfers its interest in the Premises, then Landlord may assign the Security Deposit to the transferee and Landlord thereafter shall have no further liability for return of the Security Deposit.

8. USE

Tenant shall continuously occupy and use the Premises only for the Permitted Use and shall comply with all laws, orders, rules, and regulations relating to the use, condition, and occupancy of the Premises. The Premises shall not be used for any use, which is disreputable or creates extraordinary fire hazards or results in an increased rate of insurance on the Building and its contents or the storage of any hazardous materials or substances. If, because of Tenant's acts, the rate of insurance on the Building or its contents increases, then such acts shall be an Event of Default, Tenant shall pay to Landlord the amount of such increase on demand and acceptance of such payment shall not constitute a waiver of any of Landlord's rights including, without limitation, the Event of Default caused by such act. Tenant shall conduct its business and control its agents, employees, and invitees in such a manner as not to create any nuisance or interfere with other tenants or Landlord in its management of the Building.

9. TENANT IMPROVEMENTS

Improvements. Any tenant finish improvements to be provided by Landlord for the Premises are described on Exhibit "E" attached hereto.

10. ALTERATIONS

All improvements to the Premises made after the Commencement Date shall be installed at the expense of Tenant only in accordance with plans and specifications, which have been previously submitted to and approved in writing by Landlord. After the initial Tenant improvements are made, no alterations or physical additions in or to the Premises may be made without Landlord's prior written consent, which shall not be unreasonably withheld or delayed; however, Landlord may withhold its consent to any alteration or addition that would affect the Building's structure, or the Building's HVAC, plumbing, electrical, or mechanical systems. Tenant shall not paint or install lighting or decorations, signs, window or door lettering, or advertising media of any type on or about the Premises without Landlord's prior consent. All alterations, additions, or improvements (whether temporary or permanent in character, and including all air-conditioning

equipment and all other equipment that is in any manner connected to the Building's plumbing system) made in or upon the Premises, either by Landlord or Tenant, shall be Landlord's property at the end of the Term and shall remain on the Premises (unless Landlord requires removal of same) without compensation to Tenant. Approval by Landlord of Tenant's plans and specifications prepared in connection with any improvements in the Premises shall not constitute a representation or warranty as to the adequacy or sufficiency of such plans and specifications, or the improvements to which they relate, for any use, purpose, or condition, but such approval shall merely be the consent of Landlord as required hereunder. Tenant shall be responsible for the cost of all action required to comply with the requirements of the Americans with Disabilities Act of 1990 (the "ADA"), and all rules, regulations, and guidelines promulgated there under, as the same may be amended from time to time, necessitated by any installations, additions, or alterations made in or to the Premises at the request of or by Tenant or by Tenant's use of the Premises (other than retrofit whose cost has been particularly identified as being payable by Landlord in an instrument signed by Landlord and Tenant). If Landlord's prior consent is required, such consent shall not be unreasonably withheld or delayed; however, Landlord may withhold its consent to any such painting or installation, which would affect the appearance of the exterior of the Building or of any common areas of the Building. Landlord shall be responsible for the cost of compliance with the ADA for all portions of the Property not part of the Premises or other leases with tenants.

11. LANDLORD'S SERVICES

a. Services. Provided no Event of Default exists, and subject to interruptions beyond Landlord's control, Landlord shall use all reasonable efforts to furnish to Tenant the services outlined on Exhibit "D" attached hereto. Landlord shall maintain the common areas of the Building in reasonably good order and condition, except for damage occasioned by Tenant, or its employees, agents, contractors or invitees.

b. Excess Utility Use. Landlord shall use reasonable efforts to furnish electrical current for a reasonable number of computers, electronic data processing equipment, special lighting, and other equipment that requires more than 110 volts, or other equipment whose electrical energy consumption exceeds normal office usage through the then-existing feeders and risers serving the Building and the Premises, and Tenant shall pay to Landlord the cost of such service within ten (10) days after Landlord has delivered to Tenant an invoice therefore. The amount of such additional consumption and potential consumption shall be paid by Tenant and shall be determined by a separate meter in the Premises which shall be installed by Landlord, at Tenant's expense. Tenant shall not install any electrical equipment requiring special wiring or requiring voltage in excess of 110 volts or otherwise exceeding Building capacity unless approved in advance by Landlord. The use of electricity in the Premises shall not exceed the capacity of existing feeders and risers to or wiring in the Premises. Any risers or wiring required to meet Tenant's excess electrical requirements shall, upon Tenant's written request, be installed by Landlord, at Tenant's cost, if, in Landlord's sole and absolute judgment, the same are necessary and shall not cause permanent damage or injury to the Building or the Premises, cause or create a dangerous or hazardous condition, entail excessive or unreasonable alterations, repairs, or expenses, or interfere

with or disturb other tenants of the Building. If Tenant uses machines or equipment (other than general office machines, excluding computers and electronic data processing equipment) in the Premises which affect the temperature otherwise maintained by the air conditioning system or otherwise overload any utility, Landlord may install supplemental air conditioning units or other supplemental equipment in the Premises, and the cost thereof, including the cost of installation, operation, use, and maintenance, shall be paid by Tenant to Landlord within ten (10) days after Landlord has delivered to Tenant an invoice therefore.

c. Change or Discontinuance. Landlord's obligation to furnish services under subsection 11a shall be subject to the rules and regulations of the supplier of such services and governmental rules and regulations. Landlord may change or discontinue services as needed to comply with such rules or regulations.

d. Restoration of Services; Abatement. Landlord shall use reasonable efforts to restore any service that becomes unavailable. Any unavailability shall not render Landlord liable for any damages caused thereby, nor shall be a constructive eviction of Tenant, constitute a breach of any implied warranty, or, except as provided in the next sentence, entitle Tenant to any abatement of Tenant's obligations hereunder. However, if Tenant is prevented from making reasonable use of the Premises for more than forty-five (45) consecutive days because of the unavailability of any such service, Tenant shall, as its exclusive remedy therefore, be entitled to a reasonable abatement of Base Rent for each consecutive day (after such forty five (45) day period) that Tenant is so prevented from making reasonable use of the Premises. Tenant agrees to promptly notify Landlord in writing of any interruption of services.

e. Additional Services. Should Tenant desire any additional services beyond those described here or service outside the normal times Landlord provides such services, Landlord may (at Landlord's option), upon reasonable advance notice from Tenant, furnish such services and Tenant shall pay Landlord such charges as may be agreed on between Landlord and Tenant, but in no event at a charge less than Landlord's actual cost plus overhead for the additional services provided. By way of illustration and not limitation, special equipment requiring abnormal use of water or electricity used as a power source for data processing machines, including air conditioning costs therefore, large business machines and similar

equipment of high electrical consumption shall not be standard and the costs thereof shall be paid by Tenant within ten (10) days after Landlord delivers to Tenant an invoice therefore. Landlord shall, at Tenant's sole cost and expense, install separate meters for measuring consumption of non-standard services within the Premises.

12. REPAIRS

a. Landlord's Repair Obligations. Within a reasonable time following receipt of written notice from Tenant of the necessity therefore, Landlord shall make necessary repairs to maintain the structure of the Premises and the Building. "Structure" or "structural" for purposes of this Lease shall mean only the following: foundation, roof framing and roof, weight bearing columns and weight bearing walls (specifically excluding interior surfaces). If any such repair is required

because of any act, neglect, or fault of Tenant, its agents, employees, licensees, contractors or invitees, then Tenant shall pay all costs therefore within ten (10) days after Landlord has delivered the Tenant an invoice therefore.

b. Tenant's Repairs. Tenant agrees to promptly make all repairs (including replacements and alterations where necessary) necessary to keep the interior of the Premises in good order, repair and condition, except for those necessitated by reasonable use and wear and to repair any damage caused by Tenant or Tenant's employees, agents, contractors, or invitees to any portion of the Property. The interior shall include:

(i) interior faces of the exterior walls of the building;

(ii) interior face of the ceilings;

(iii) floor coverings;

(iv) portion of the wiring, plumbing, pipes, conduits and other water, sewerage, utility, and sprinkler fixtures and equipment in the Premises which serve the Premises exclusively.

c. Performance of Work. All work described in Sections 9 and 10 above and in this Section 12 shall be performed only by Landlord or by contractors and subcontractors approved in writing which approval will not be unreasonable withheld by Landlord. Prior to beginning any work, Tenant shall cause all contractors and subcontractors to procure and maintain insurance against such risks, in such amounts, and with such companies as set forth in subsection 14E and as Landlord may reasonably require, and shall procure payment and performance bonds reasonably satisfactory to Landlord covering the cost and completion of the work. All such work shall place the Property in as good or better condition as that which existed at the time of such repair and shall be performed in accordance with all legal requirements and in a good and workmanlike manner so as not to damage any portion of the Property. Any such work which may affect the HVAC, electrical system, or plumbing of the Building must be approved by an engineer acceptable to Landlord.

d. Mechanic's Liens. Tenant shall not permit any mechanic's or other liens to be filed against the Premises or the Property for any obligation incurred by or at the request of Tenant. If such a lien is filed, then Tenant shall, no later than ten (10) days after Landlord has notified Tenant, pay either the amount of the lien or otherwise effect cancellation or discharge of the lien. If Tenant fails to timely take either such action, then Landlord may pay the lien claim without inquiry as to the validity thereof, and any amounts so paid, including expenses and interest, shall be paid by Tenant to Landlord within ten (10) days after Landlord has delivered to Tenant an invoice therefore.

13. TRANSFERS

a. Transfers; Consent. Tenant shall not, without the prior written

consent of Landlord (which shall not be unreasonably withheld); (a) advertise that any portion of the Premises is available for lease; (b) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law; (c) permit any other entity to become Tenant hereunder by merger, consolidation, or other reorganization; (d) if Tenant is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Tenant so as to result in a change in the current control of Tenant; (e) sublet any portion of the Premises; (f) grant any license, concession, or other right of occupancy of any portion of the Premises; or (g) permit the use of the Premises by any parties other than Tenant (any of the events listed in clauses (b) through (g) being a "Transfer"). If Tenant requests Landlord's
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consent to a Transfer, then Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address; reasonably satisfactory information about its business and business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's experience and credit worthiness and character. Tenant shall reimburse Landlord for its attorneys' fees and other expenses incurred in connection with considering any request for its consent to a Transfer. In no event shall the proposed Transfer be an existing tenant currently in the Building or at the Property and in no event shall the proposed Transfer be a person or entity with whom Landlord or its agent is negotiating and to or from whom Landlord or its agent has given or received any written or oral lease proposal within the past 6 months regarding leasing space in the Building. If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement whereby it expressly assumes Tenant's obligations hereunder; however, any transferee of less than all of the space in the Premises shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer, and only to the extent of the rent it has agreed to pay Tenant therefore. Landlord's consent to a Transfer shall not release Tenant from performing its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefore and Tenant shall execute any documents reasonably required by Landlord to confirm same. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. If an Event of Default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect directly from such transferee all rents becoming due to Tenant and apply such rents against Rent. Tenant authorizes its transferees to make payments of Rent directly to Landlord upon receipt of notice from Landlord to do so.

b. Additional Compensation. Tenant shall pay to Landlord, immediately
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upon receipt thereof, one- half of all compensation received by Tenant for a Transfer (whether permitted or not) that exceeds the Rent paid by Tenant to Landlord for the applicable portion of the Premises covered thereby. Landlord's acceptance of such additional compensation shall not constitute Landlord's approval of any Transfer that was not approved by Landlord or permitted by this Lease.

c. Cancellation. Landlord may, within 30 days after submission of
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Tenant's written request for Landlord's consent to a Transfer, cancel this Lease (or, as to a subletting or assignment, cancel as to the portion of the Premises proposed to be sublet or assigned) as of the date the proposed

Transfer was to be effective. If Landlord cancels this Lease as to any portion of the Premises, then this Lease shall cease for such portion of the Premises and Tenant shall pay to Landlord all Rent accrued through the cancellation date relating to the portion of the Premises covered by the proposed Transfer and all unamortized brokerage commissions paid or payable by Landlord in connection with this Lease that are allocable to such portion of the Premises. Thereafter, Landlord may lease such portion of the Premises to the prospective transferee (or to any other person) without liability to Tenant.

14. RISK ALLOCATION AND INSURANCE

a. Allocation of Risks. The parties desire, to the extent permitted by
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law, to allocate certain risks of personal injury, bodily injury or

property damage, and risks of loss of real or personal property by reason of fire, explosion or other casualty, and to provide for the responsibility for insuring those risks. It is the intent of the parties that, to the extent any event is insured for or required herein to be insured for, any loss, cost, damage or expense arising from such event, including, without limitation, the expense of defense against claims or suits, be covered by insurance, or by the party required to obtain insurance in the event such party defaults in its obligation to do so, without regard to the fault of Tenant, its officers, employees, agents, contractors or invitees ("Tenant Protected Parties"), and without regard to the fault of Landlord, its agents, their respective partners, shareholders, members, agents, directors, officers, contractors and employees ("Landlord Protected Parties"). As between Landlord Protected Parties and Tenant Protected Parties, such risks are allocated as follows:

(i) Tenant shall bear the risk of bodily injury, personal injury or death, or damage to the property of third persons, occasioned by events occurring on or about the Premises, regardless of the party at fault. Said risks shall be insured as provided in subsection 14(b)(i).

(ii) Landlord shall bear the risk of bodily injury, personal injury or death, or damage to the property of third persons, occasioned by events occurring on or about the Property (other than the Premises or premises leased to other tenants) regardless of the party at fault. Said risk shall be insured against as provided in subsection 14(c)(i).

(iii) Tenant shall bear the risk of damage to Tenant's contents, trade fixtures, machinery, equipment, furniture and furnishings in the Premises arising out of loss by the events required to be insured against pursuant to subsection 14(b)(ii).

(iv) Landlord shall bear the risk of damage to the Building and common areas arising out of loss by events required to be insured against pursuant to subsection 14(c)(ii).

Notwithstanding the foregoing, provided the party required to carry insurance under subsection 14 (b)(i) or subsection 14 (c)(i) hereof does
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not default in its obligation to do so, if and to the extent that any loss occasioned by any event of the type described in Subsection 14(a)(i) or Subsection 14 (a)(ii) exceeds the coverage or the amount of insurance required to be carried

under said Sections or such greater coverage or amount of insurance as is actually carried or results from an event not required to be insured against or not actually insured against, the party at fault shall pay the amount not actually covered.

b. Tenant's Insurance. Tenant shall procure and maintain policies of
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insurance, at its own cost and expense, insuring:

(i) The Landlord Protected Parties, and Landlord's mortgagee, if any, of which Tenant is given written notice, and Tenant Protected Parties subject, however, to the subsections 14(a), from all claims, demands or actions made by or on behalf of any person or persons, firm or corporation and arising from, related to or connected with the Premises, for bodily injury to or personal injury to or death of any person, or more than one (1) person, or for damage to property in an amount of not less than $3,000,000.00 combined single limit per occurrence/aggregate. Said insurance shall be written on an "occurrence" basis and not on a "claims made" basis. If at any time during the term of this Lease, Tenant owns or rents more than one location, the policy shall contain an endorsement to the effect that the aggregate limit in the policy shall apply separately to each location owned or rented by Tenant. Landlord shall have the right not more than once every three (3) years, exercisable by giving written notice thereof to Tenant, to require Tenant to increase such limit if, in Landlord's reasonable judgment, the amount thereof is insufficient to protect the Landlord Protected Parties and Tenant Protected Parties from judgments which might result from such claims, demands or actions. Tenant shall cause the Landlord Protected Parties to be insured as "additional insureds" such that Tenant will protect,

indemnify and save harmless the Landlord Protected Parties from and against any and all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including without limitation reasonable attorney's fees and expenses) imposed upon or incurred by or asserted against the Landlord Protected Parties, or any of them, by reason of any bodily injury to or personal injury to or death of any person or more than one person or for damage to property, occurring on or about the Premises, caused by any party including, without limitation, any Landlord Protected Party provided, however, Tenant shall not be required to indemnify or insure against any loss resulting from the intentional wrongful acts of any Landlord Protected Party, to the extent of the amount of the insurance required to be carried under this subsection 14(b)(i) or such greater amount of insurance as is actually carried. Tenant shall cause its liability insurance to include contractual liability coverage fully covering the indemnity hereinabove set forth.

(ii) All contents and Tenant's trade fixtures, machinery, equipment, furniture and furnishings in the Premises to the extent of at least ninety percent (90%) of their replacement cost under Standard Fire and Extended Coverage Policy and all other risks of direct physical loss as insured against under Special Form ("all risk") coverage. Said insurance shall contain an endorsement waiving the insurer's right of subrogation against any Landlord Protected Party.

c. Landlord's Insurance. Landlord shall procure and maintain policies of insurance insuring:

(i) All claims, demands or actions made by or on behalf of any person or persons, firm or corporation including, without limitation, any Tenant Protected Party subject, however, to subsection 14(a) and arising from, related to or connected with the Property (other than the Premises and premises leased to other tenants), for bodily injury to or personal injury to or death of any person, or more than one (1) person, or for damage to property in an amount of not less than $3,000,000.00 combined single limit per occurrence/aggregate provided, however, Landlord shall not be required to indemnify or insure against any loss resulting from the intentional wrongful acts of any Tenant Protected Party. Said insurance shall be written on an "occurrence" basis and not on a "claims made" basis. If at any time during the term of this Lease, Landlord owns more than one location, the policy shall contain an endorsement to the effect that the aggregate limit in the policy shall apply separately to each location owned by Landlord.

(ii) The improvements at any time situated upon the Property (other than the contents of Premises and premises leased to other tenants) against loss or damage by fire, lightning, wind storm, hail storm, aircraft, vehicles, smoke, explosion, riot or civil commotion as provided by the Standard Fire and Extended Coverage Policy and all other risks of direct physical loss as insured against under Special Form ("all risk") coverage. The insurance coverage shall be for not less than 90% of the full replacement cost of such improvements with agreed amount endorsement. Landlord shall be named as insured and all proceeds of insurance shall be payable to Landlord or its mortgagee. Said insurance shall contain an endorsement waiving the insurer's right of subrogation against any Tenant Protected Party.

(iii) Landlord's business income, protecting Landlord from loss of rents and other charges during the period while the Premises are untenantable due to fire or other casualty (for the period reasonable determined by Landlord).

(iv) Such other risks as reasonably determined by Landlord.

d. Forms of Insurance. All of the aforesaid insurance shall be in companies with an A.M. Best rating of at least (A-)(VIII) and licensed to do business in the State of Nevada. As to Tenant's insurance, the insurer and the form, substance and amount (where not stated above) shall be reasonably satisfactory from time to time to Landlord and any mortgagee of Landlord, and shall unconditionally provide that it is not subject to cancellation, material modification or non-renewal except after at least thirty (30) days prior written notice to Landlord and any mortgagee of Landlord. Original certificates of Tenant's insurance policies reasonably satisfactory to Landlord, together with reasonably satisfactory evidence of

payment of the premiums thereon, shall be deposited with Landlord at the Commencement Date and renewals thereof not less than thirty (30) days prior to the end of the term of such coverage.

e. Tenant's Contractor's Insurance. Tenant shall require any contractor of Tenant permitted to perform work in, on, or about the Premises to obtain and maintain the following insurance coverage at no expense to Landlord:

(i) Commercial general liability insurance, including the traditional broad form general liability coverages, in the amount of One Million Dollars ($1,000,000), adding Landlord and Tenant as additional insured parties; (ii) Worker's compensation insurance for all contractor's employees working in or about the Premises in an amount sufficient to comply with applicable laws or regulations;

(iii) Employers liability insurance in an amount not less than One Hundred Thousand Dollars ($100,000); and

(iv) Any other insurance as Tenant, Landlord or its mortgagee may reasonably require from time to time for contractors performing work in the Building.

f. Increase of Premiums. Tenant will not do anything or fail to do anything which will cause the cost of Landlord's insurance to increase or which will prevent Landlord from procuring policies (including but not limited to public liability) from companies and in a form reasonably satisfactory to Landlord. If any breach of this subsection 14(f) by Tenant shall directly cause the rate of fire or other insurance to be increased, Tenant shall pay the amount of such increase as additional rent promptly upon being billed therefore.

g. Tenant's Additional Insurance. Landlord makes no representation that the limits of liability specified to be carried by Tenant under the terms of this Lease are adequate to protect Tenant against Tenant's undertaking under this Section 14 and Section 15.

15. INDEMNITY

a. Tenant shall indemnify, defend and hold harmless Landlord Protected Parties from and against any and all liability, claims, demands, causes of action, judgments, costs, expenses, and all losses and damages for bodily injury, death and property damage arising from any activity in the Premises even if resulting from the negligent act or omission (but not willful misconduct), of any of the Landlord Protected Parties, and from all costs, reasonable attorneys' fees and disbursements, and liabilities incurred in the defense of any such claim. Upon notice from Landlord, Tenant shall defend any such claim, demand, cause of action or suit at Tenant's expense by counsel satisfactory to Landlord in its reasonable discretion, or as designated by Tenant's insurer. The provisions of this subsection (a) shall survive the expiration or earlier termination of this Lease.

b. Landlord shall indemnify, defend and hold harmless Tenant Protected Parties from and against any and all liability, claims, demands, causes of action, judgments, costs, expenses, and all losses and damages for bodily injury, death and property damage arising from any activity in or about the Building or common areas (other than the Premises and premises leased to other tenants) even if resulting from the negligent act or omission (but not willful misconduct) of any of the Tenant Protected Parties, and from all costs, reasonable attorneys' fees and disbursements, and liabilities incurred in the defense of any such claim. Upon notice from Tenant, Landlord shall defend any such claim, demand, cause of action or suit at Landlord's expense by counsel

satisfactory to Tenant in its reasonable discretion, or as designated by Landlord's insurer. The provisions of this subsection (b) shall survive the expiration or earlier termination of this Lease.

16. CASUALTY

a. Repair Estimate. If the Premises or the Building are damaged by fire

or other casualty (a "Casualty"), Landlord shall, within thirty (30) days after such Casualty, deliver to Tenant a good faith estimate (the "Damage Notice") of the time needed to repair the damage caused by the Casualty.

b. Landlord's and Tenant's Rights. If, because of a Casualty, Tenant is prevented from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Casualty and Landlord estimates within 30 days of loss that the damage caused thereby cannot be repaired within one hundred twenty (120) days after the commencement of repair ("Substantial Casualty"), then Landlord may, at its expense, relocate Tenant to office space reasonably comparable to the Premises, provided that Landlord notifies Tenant of its intention to do so in the Damage Notice. If Landlord relocates Tenant, Rent shall be abated only from the date of such damage until the relocation premises are tendered to Tenant, and thereafter, Tenant shall pay to Landlord the lesser of the Rent or the fair market rental value of the replacement premises (including all additional rent and expenses associated therewith). Such relocation may be for a portion of or the entire remaining Term. Landlord shall complete any such relocation within forty-five (45) days after Landlord has delivered the Damage Notice to Tenant. If Landlord does not elect to relocate Tenant following such Substantial Casualty, then, unless Tenant caused such damage, Tenant may terminate this Lease by delivering written notice to Landlord of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant. Following a Substantial Casualty, if Landlord does not relocate Tenant and Tenant does not terminate this Lease, then Landlord shall repair the Building or the Premises, as the case may be, as provided below, and Rent for any portion of the Premises necessary for Tenant's business that was rendered untenantable shall be abated on a reasonable basis from the date of damage until the completion of the repair, unless Tenant caused such damage, in which case, Tenant shall continue to pay Rent without abatement. Rent shall not be abated or reduced for a Casualty, which is not a Substantial Casualty. Notwithstanding the foregoing, if a Casualty damages a material portion of the Building, and Landlord makes a good faith determination that restoring the Premises or Building would be uneconomical, or if Landlord is required to pay any insurance proceeds arising out of the Casualty to Landlord's Mortgagee (defined in Section 2 above), then Landlord may terminate this Lease by giving written notice of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant, and Rent shall be abated as of the date of the Casualty.

c. Repair Obligation. If neither party so elects to terminate this Lease following a Casualty, then Landlord shall, within a reasonable time after such Casualty, restore the Building and Premises to substantially the same or better condition as they existed immediately before such Casualty; however, Landlord shall not be required to repair or replace any part of the furniture, equipment, fixtures, and other improvements which may have been placed by, or at the request of, Tenant or

other occupants in the Building or the Premises, and Landlord's obligation to repair or restore shall be limited to the extent of the insurance proceeds actually received by Landlord for the Casualty in question.

17. CONDEMNATION

a. Eminent Domain. If any part of the Property is taken by right of eminent domain or conveyed in lieu thereof (either event a "Taking"), and such Taking prevents Tenant from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Taking then Landlord may, at its expense, relocate Tenant to space reasonably comparable to the Premises, provided that Landlord notifies Tenant of its intention to do so within thirty (30) days after the Taking. Such relocation shall be for the remaining Term. Landlord shall complete any such relocation within forty-five (45) days after Landlord has notified Tenant of its intention to relocate Tenant. If Landlord does not elect to relocate Tenant following such Taking, then Tenant may terminate this Lease as of the date of such Taking by giving written notice to Landlord within

sixty (60) days after the Taking, and Rent shall be prorated on the later of the date of such Taking or the date Tenant actually vacates the Premises. After a Taking, if Landlord does not terminate this Lease or relocate Tenant and Tenant does not terminate this Lease, then Rent shall be abated on a reasonable basis as to that portion of the Premises which was necessary for Tenant's business and which was rendered untenantable by the Taking. Rent shall not be reduced or abated for any condemnation which does not constitute a Taking.

b. Taking - Landlord's Rights. If all or any material portion of the Building becomes subject to a Taking, or if Landlord is required to pay any of the proceeds received for a Taking to Landlord's mortgagee, then this Lease, at the option of Landlord, exercised by written notice to Tenant within thirty (30) days after such Taking, shall terminate and Rent shall be apportioned as of the date of such Taking.

c. Award. If any Taking occurs, then Landlord shall receive the entire award or other compensation for the Property taken, and Tenant may separately pursue a claim against the condemning party for the value of Tenant's moving costs and other claims it may have, so long as such claim does not in any way impair or adversely affect the award that the Landlord is entitled to receive.

18. RULES AND REGULATIONS

Tenant shall comply with the rules and regulations of the Building which are attached hereto as Exhibit "C". Landlord may, from time to time, change such rules and regulations for the safety, care, or cleanliness of the Building and related facilities, provided that such changes are reasonable and are applicable to all tenants of the Building. Tenant shall be responsible for the compliance with such rules and regulations by its employees, agents, and invitees.

19. SUBORDINATION & MORTGAGEES

a. Subordination. This Lease is subject and subordinate to any deeds of trust, mortgages or other security instruments which now or hereafter encumber all or any portion of the Property or any interest of Landlord therein. No further instrument shall be required to effect such subordination, but upon request Tenant shall execute, acknowledge, and deliver to Landlord any further instruments and certificates evidencing such subordination as Landlord or any mortgagee of Landlord shall reasonably require.

b. Attornment. Notwithstanding subsection 19a, any mortgagee of Landlord shall have the right at any time to subordinate any such deed of trust or mortgage to this Lease, or to any of the provisions hereof on such terms and subject to such conditions as such mortgagee may consider appropriate in its discretion. At any time, before or after the institution of any proceedings for the foreclosure of any such deed of trust or mortgage, or the sale of the Building under any such deed of trust or mortgage, Tenant shall, upon request of such mortgagee, any person succeeding to the interest of such mortgagee, or the purchaser at any foreclosure sale ("Successor Landlord"), automatically become the Tenant of the Successor Landlord, without change in the terms or other provisions of this Lease; provided, however, that the Successor Landlord shall not be bound by any modification to this Lease made after the institution of any such proceeding without the consent of the Successor Landlord or by any payment of Rent more than one (1) month in advance, except for a security deposit previously paid to Landlord (and then only if such security deposit has been deposited with and is under the control of the Successor Landlord). The agreement of Tenant to attorn to a Successor Landlord shall survive any such foreclosure sale, trustee's sale, or conveyance in lieu thereof. Tenant shall, upon request, before or after any such foreclosure or conveyance, execute, acknowledge, and deliver to any mortgagee of Landlord or to the Successor Landlord instruments evidencing such attornment as the mortgagee or Successor Landlord may reasonably require.

c. Estoppel Certificates. Tenant shall, from time to time, within ten (10) business days after request from Landlord, or from any mortgagee of Landlord, execute, acknowledge and deliver in recordable form a certificate

certifying, to the extent true, that this Lease is in full force and effect and unmodified (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications); that the Term has commenced and the full amount of the Rent then accruing hereunder and the dates to which the Rent has been paid; that Tenant has accepted possession of the Premises and that any improvements required by the terms of this Lease to be made by Landlord have been completed to the satisfaction of Tenant; the amount, if any, that Tenant has paid to Landlord as a security deposit; that no Rent under this Lease has been paid more than thirty (30) days in advance of its due date; that the address for notices to be sent to Tenant is as set forth in this Lease (or has been changed by notice duly given and is as set forth in the certificate); that Tenant, as of the date of such certificate, has no charge, lien, or claim of offset under this Lease or otherwise against Rent; that, to the knowledge of Tenant, Landlord is not then in default under this Lease; and such other matters as may be reasonably requested by Landlord or any mortgagee of Landlord. Any such certificate may be relied upon by Landlord, any successor

of Landlord, any mortgagees of Landlord or any prospective purchaser of the Building or the Property.

d. Notice to Mortgagee. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release of Tenant's obligations or termination of this Lease unless (i) Tenant has given notice by certified mail to any mortgagee of Landlord whose address has been furnished to Tenant, and (ii) Tenant offers such mortgagee of Landlord a reasonable time to cure the default (in no event to be less than thirty (30) days), including time to obtain possession of the Building if such should prove necessary to effect a cure. No such mortgagee of Landlord shall be obligated to Tenant to cure any default by Landlord hereunder, but if a mortgagee elects in its discretion to effect a cure Tenant shall accept same as though done by Landlord.

20. TAXES

Tenant shall be liable for all taxes levied or assessed against personal property, furniture, or fixtures placed by Tenant in the Premises. If any taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and Landlord elects to pay the same, or if the assessed value of Landlord's property is increased by inclusion of such personal property, furniture or fixtures and Landlord elects to pay the taxes based on such increase, then Tenant shall pay to Landlord, upon demand, that part of such taxes for which Tenant is primarily liable hereunder. Landlord shall not pay such amounts if Tenant notifies Landlord that it will contest the validity or amount of such taxes and thereafter diligently proceeds with such contest in accordance with applicable law and in a manner that is not inconsistent with the rights of Landlord or any other tenants of the Building and the non-payment thereof does not; (a) pose a threat of loss or seizure of the Building or interest of Landlord therein; or (b) result in the imposition of any fines, penalties or interest against Landlord. Notwithstanding the foregoing, Landlord may (but shall never be obligated to do so) contest the amount or validity of any such taxes.

21. EVENTS OF DEFAULT

The occurrence of any one of the following events will be an Event of Default by Tenant under this Lease:

a. Tenant shall fail to pay Landlord any Rent or other sum of money when due under this Lease or under any other agreement with Landlord concerning the Premises after the expiration of five (5) days written notice.

b. Tenant shall fail to maintain any insurance that this Lease requires Tenant to maintain or shall fail to deliver any certificate of such insurance when required by this Lease.

c. Tenant shall fail to provide an estoppel certificate within the time provided in subsection 19. (c)

d. Tenant shall fail to perform or observe any term, covenant or condition of this Lease or any other agreement with Landlord concerning the

Premises (other than a failure described in the preceding subsections 21.(a), 21.(b) and 21. (c) and Tenant shall not cure the failure within ten (10) days after Landlord notifies Tenant thereof in writing; but if the failure is of a nature that it cannot be cured within such ten (10) day period, Tenant shall not have committed an Event of Default if Tenant commences the curing of the failure within such ten (10) day period and thereafter diligently pursues the curing of same and completes the cure within thirty (30) days; provided, however, that if Tenant fails to perform or observe any term, condition, covenant or provision in this Lease including the timely payment of Rent, more than twice in any Lease year, then notwithstanding that such defaults have been cured by Tenant, any further similar failure shall, at Landlord's election, be deemed an Event of Default without notice or opportunity to cure.

e. Tenant or any guarantor of Tenant's obligations under this Lease shall become insolvent, or shall admit in writing its inability to pay its debts when due, shall make a transfer in fraud of its creditors, or shall make a general assignment or arrangement for the benefit of creditors, or all or substantially all of Tenant's assets or the assets of any guarantor of Tenant's obligations under this Lease or Tenant's interest in this Lease are levied on by execution or other legal process.

f. A petition shall be filed by Tenant or any guarantor of Tenant's obligations under this Lease to have Tenant or such guarantor adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy shall be filed by Tenant or such guarantor, or any such petitions shall be filed against Tenant or such guarantor and shall not be dismissed within thirty (30) days.

g. A receiver or trustee shall be appointed for all or substantially all the assets of Tenant or of any guarantor of Tenant's obligations under this Lease or for Tenant's interest in this Lease.

h. Tenant shall abandon or vacate any substantial portion of the Premises or shall fail to occupy the Premises within thirty (30) days after the Term commences and the Premises are ready for occupancy.

22. REMEDIES

a. Upon the occurrence of any uncured Event of Default by Tenant, Landlord shall have the option, without any notice to Tenant (except as expressly provided above) and with or without judicial process, to pursue any one or more of the following remedies:

(i) Landlord may terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord.

(ii) Landlord may enter upon and take custodial possession of the Premises by picking the locks if necessary, lock out or remove Tenant and any other person occupying the Premises and

alter the locks and other security devices at the Premises, all without Landlord being deemed guilty of trespass or becoming liable for any resulting loss or damage and without causing a termination or forfeiture of this Lease or of Tenant's obligation to pay rent. Landlord shall not, in the event of a lockout by the changing of locks, be required to provide new keys to Tenant.

(iii) Landlord may terminate Tenant's possession and not this Lease whereby Landlord may enter the Premises and take possession of and remove any and all trade fixtures and personal property situated in the Premises, without liability for trespass or conversion. If Landlord takes possession of and removes personal property from the Premises, then prior to any disposition of the property by sale or until Tenant reclaims the property if no public or private sale is contemplated, Landlord may store the property in a public or private warehouse or elsewhere at the cost of and for the account of Tenant without the resort to legal process and without becoming liable for any resulting loss or damage.

(iv) Landlord may perform on behalf of Tenant any obligation of Tenant under this Lease which Tenant has failed to perform, and the cost of the performance will be deemed Additional Rent and will be payable by Tenant to Landlord upon demand.

b. In the event Landlord enters and takes possession of the Premises without electing to terminate this Lease, Landlord will have the right to

relet the Premises for Tenant's account, in the name of Tenant or Landlord or otherwise, on such terms as Landlord deems advisable. But Landlord will not be required to incur any expense to relet the Premises and the failure of Landlord to relet the Premises shall not reduce Tenant's liability for Rent and other charges due under this Lease or for damages. Landlord will not be obligated to relet for less than the then market value of the Premises or to relet the Premises when other rental space in the Building is available for lease. Without causing a termination or forfeiture of this Lease after an Event of Default by Tenant, Landlord may: (i) relet the Premises for a term or terms to expire at the same time as, earlier than, or subsequent to, the expiration of the Term; (ii) remodel or change the use and character of the Premises; (iii) grant rent concessions in reletting the Premises, if necessary in Landlord's judgment, without reducing Tenant's obligation for Rent specified in this Lease; and (iv) relet all or any portion of the Premises as a part of a larger area. Subject to the next subsection, Landlord may retain the excess, if any, of the rent earned from reletting the Premises over the Rent specified in this Lease.

c. If Landlord has relet the Premises or relets thereafter without first terminating this Lease, Landlord will apply any future rentals from reletting (but not rental allocable to any area outside the Premises or rental allocable to the period following the Term) in the following manner: first, to reduce any amounts then due from Tenant, including but not limited to attorneys' fees, brokerage commissions and other expenses Landlord may have incurred in connection with the collection of any Rent, recovery of possession, and redecorating, altering, dividing, consolidating with adjoining premises, or otherwise preparing the Premises for reletting; and, the balance, if any, of the future rentals from reletting shall be retained by Landlord as compensation for reletting the Premises.

d. No re-entry or reletting of the Premises or any filing or service of an unlawful detainer action or similar action will be construed as an election by Landlord to terminate or accept a forfeiture of this Lease or to accept a surrender of the Premises after an Event of Default by Tenant, unless a written notice of such intention is given by Landlord to Tenant; but notwithstanding any such action without such notice, Landlord may at any time thereafter elect to terminate this Lease by notifying Tenant.

e. Upon the termination of this Lease or termination of Tenant's possession, Landlord will be entitled to recover, at its election, all unpaid Rent that have accrued through the date of termination plus the costs of performing any of Tenant's obligations (other than the payment of Rent) that should have been but were not satisfied as of the date of such termination. In addition, Landlord will be entitled to recover, not as rent or a penalty but as compensation for Landlord's loss of the benefit of its bargain with Tenant, the difference between (i) an amount equal to the present value of the Rent and other sums that this Lease provides Tenant will pay for the remainder of the Term and for the balance of any then effective extension of the Term, and (ii) the present value of the net future Rent for such period that will be or with reasonable efforts could be collected by Landlord by reletting the Premises. For purposes of determining what could be collected by Landlord by reletting under the preceding sentence, it will be assumed that Landlord is not required to relet when other space in the Building is available for lease and that Landlord will not be required to incur any cost to relet, other than customary leasing commissions. If relet. Any monies obtained are to be offset against what tenant owes.

f. After an Event of Default by Tenant, Landlord may recover from Tenant from time to time and Tenant shall pay to Landlord upon demand, whether or not Landlord has relet the Premises or terminated this Lease, (i) such expenses as Landlord may incur in recovering possession of the Premises, terminating this Lease, placing the Premises in good order and condition and altering or repairing the same for reletting; (ii) all other costs and expenses (including brokerage commissions and legal fees) paid or incurred by Landlord in exercising any remedy or as a result of the Event of Default by Tenant; and (iii) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result from such failure.

g. In the event that any future amount owing to Landlord or offsetting an amount owing to Landlord is to be discounted to present value under this

Lease, the present value shall be determined by discounting at the rate of four percent (4%) per annum.

h. For the purposes of any suit by Landlord brought or based on this Lease, this Lease may, at Landlord's option, be construed to be a divisible contract to the end that successive actions may be maintained and successive periodic sums shall mature and become due hereunder, and the failure to include in any suit or action any sum or sums then matured shall not be a bar to the maintenance of any suit or action for the recovery of the sum or sums so omitted.

i. This Section 22 shall be enforceable to the extent not prohibited by applicable law, and the unenforceability of any provision in this Section shall not render any other provision

unenforceable. Tenant will be presumed to have abandoned the Premises if goods, equipment, or other property, in an amount substantial enough to indicate a probable intent to abandon the Premises, is being or has been removed from the Premises and the removal is not within the normal course of Tenant's business.

j. The failure or delay by Landlord, at any time after a default has occurred, to exercise or enforce any of the rights, remedies and obligations provided for in this Lease shall not be deemed or construed to be a waiver of any such default or remedy or to affect the validity or enforceability of any part of this Lease or the right of Landlord thereafter to exercise or enforce each and every such right, remedy and obligation. No waiver of any default under this Lease by Landlord shall be deemed or construed to be a waiver of any other or subsequent default, and the consent or approval by Landlord to or for any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary Landlord's consent or approval to or for any subsequent similar act by Tenant. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installments of Rent, Additional Rent or other charges herein stipulated shall be deemed to be other than on account of the earliest stipulated Rent, Additional Rent or other charges, nor shall any endorsement or statement on any check or letter accompanying a check for payment of Rent be deemed an accord and satisfaction, nor shall acceptance of Rent with knowledge of breach constitute a waiver of the breach, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent, to terminate this Lease, to repossess the Premises or to pursue any other remedy provided in this Lease. No breach of a covenant or condition of this Lease shall be deemed to have been waived by Landlord, unless such waiver be in writing signed by Landlord.

23. LANDLORD'S LIEN

In addition to all statutory landlord's liens granted under applicable law, Tenant grants to Landlord, to secure performance of Tenant's obligations hereunder, a security interest in all equipment, fixtures, furniture, improvements, and other personal property of Tenant now or hereafter situated on the Premises, and all proceeds there from (the "Collateral"),
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and the Collateral shall not be removed from the Premises without the consent of Landlord until all obligations of Tenant have been fully performed. Upon the occurrence of an Event of Default, Landlord may, in addition to all other remedies, without notice or demand except as provided below, exercise the rights afforded a secured party under the Uniform Commercial Code of the State in which the Building is located (the "UCC").

In connection with any public or private sale under the UCC, Landlord shall give Tenant five (5) days prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made, which is agreed to be a reasonable notice of such sale or other disposition. Tenant grants to Landlord a power of attorney to execute and file any financing statement or other instrument necessary to perfect Landlord's security interest which power is coupled with an interest and shall be irrevocable during the Term. Landlord may also file a copy of this Lease as a financing statement to perfect its security interest in the Collateral. Tenant further agrees to execute any financing statements requested by Landlord to evidence or perfect the liens set forth in this section.

24. NON-WAIVER

Landlord's acceptance of Rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of that term or any other term. No custom or practice which may occur or develop between the parties in connection with the terms of this Lease shall be construed to waive or lessen Landlord's right to insist upon strict performance of the terms of this Lease.

25. SURRENDER OF PREMISES

No act by Landlord shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless the same is in writing and signed by Landlord. At the expiration or termination of this Lease, Tenant shall immediately deliver to Landlord the Premises with all improvements located thereon in good repair and condition, reasonable wear and tear excepted (and condemnation and Casualty damage not caused by Tenant, as to which Sections 16 and 17 shall control), and shall deliver to Landlord all keys to the Premises and access cards to the Building. Provided that Tenant has performed all of its obligations hereunder, Tenant may remove all unattached trade fixtures, furniture, and personal property placed in the Premises by Tenant (but Tenant shall not remove any such item which was paid for, in whole or in part, by Landlord). Additionally, Tenant shall promptly remove such alterations, additions, improvements, trade fixtures, equipment, wiring, and furniture as Landlord may request; however, Tenant shall not be required to remove any addition or improvement to the Premises if Landlord has specifically agreed in writing that the improvement or addition in question shall not be removed. Tenant shall repair all damage caused by such removal. All items not so removed shall be deemed to have been abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items. If Tenant fails to surrender the Premises, Landlord shall have the right, without notice and without resorting to legal process, to enter upon and take possession of the Premises and to expel or remove Tenant and its effects. The provisions of this Section shall survive the end of the Term.

26. HOLDING OVER

a. If, at the expiration of the Term of this Lease, Tenant continues to occupy the Premises with the written consent of Landlord, then Tenant shall be a Tenant from month to month at a monthly rent as established by Landlord and subject to all of the other terms and conditions of this Lease.

b. If, at the expiration of the term of this Lease or other termination of this Lease, Tenant continues to occupy the Leased Premises without the written consent of Landlord, or if no new agreement shall have been entered into by the parties hereto, then Tenant shall be a Tenant at will only, and Tenant's continued occupancy shall not defeat Landlord's right to possession of the Leased Premises at any time, with or without notice. Tenant shall pay Rent equal to the greater of (a) 200% of the monthly Base Rent and Additional Rent payable during the last month of the Term, or (b) the prevailing rental rate in the Building for similar space. In such event, Tenant shall pay Rent on a monthly basis and shall not be entitled to a daily proration. In addition, Tenant shall pay to Landlord all damages, costs and expenses incurred, directly or indirectly, by Landlord by reason of Tenant's retention of possession of the Leased Premises after such expiration or termination. Tenant shall indemnify Landlord against all claims made by any other tenant or prospective tenant against Landlord resulting from delay by Landlord in delivering possession of the Leased Premises to such other tenant or prospective tenant as a result of such holdover.

No payment of money by Tenant to Landlord after the termination of this Lease shall reinstate, continue, or extend the lease Term and no extension of this Lease after the termination thereof shall be valid unless and until the same shall be reduced to writing and signed by both Landlord and Tenant.

27. RIGHTS RESERVED BY LANDLORD

Landlord has the following rights, exercisable without notice to Tenant and without causing an eviction (constructive or actual) or disturbance of

Tenant's possession of the Premises and without giving rise to any claim for setoff or abatement of rent:

a. to change the Building's name or street address;

b. to install signs on the exterior and interior of the Building or on the Property;

c. to designate and approve, prior to installation, all types of window shades, blinds, drapes, awnings, window ventilators and other similar equipment, and to control all internal lighting that may be visible from the exterior of the Building;

d. to enter upon the Premises at reasonable hours to inspect, clean or make repairs or alterations (without implying any obligation to do so) and to show the Premises to prospective lenders, purchasers and tenants and, if the Premises are vacated, to prepare them for reoccupancy;

e. to retain and use in appropriate instances keys to all doors into and within the Premises (Tenant will not change or add locks without the prior written consent of Landlord);

f. to decorate and to make repairs, alterations, additions or improvements (whether structural or otherwise) to and about the Building and the Property and, for such purposes, to enter upon the Premises, to temporarily close doors, entryways, public space and corridors in the Building or the Property, to temporarily suspend building services and facilities and to change the arrangement and location of entrances or passageways, doors and doorways, corridors, elevators, stairs, toilets, or other Common Areas, all without abatement of rent or impairing Tenant's obligations so long as the Premises remain reasonably accessible and fit for the use expressly permitted in this Lease;

g. to grant to anyone the exclusive right to conduct any business or render any service in or to the Building or the Property (including the exclusive right to sell any food or beverages), provided such exclusive right does not exclude Tenant from the use expressly permitted in this Lease;

h. to approve the weight, size and location of safes and other heavy equipment and articles in the Premises and to require that all such items and all furniture be moved into and out of the Building and Premises at the times and in the manner directed by Landlord (movements of Tenant's property into or out of the Building and within the Building are entirely at the risk and responsibility of Tenant); and

i. to take any measures (without implying any obligation to do so) Landlord deems advisable for the security of the Building and its occupants, including the evacuation of the Building for drill purposes and the closing of the Building after normal business hours, subject, however, to Tenant's right to admittance when the Building is closed under reasonable regulations prescribed by Landlord from time to time.

28. LANDLORD'S DEFAULT

a. All covenants of Tenant in this Lease are independent covenants, not conditioned upon Landlord's satisfaction of its obligations hereunder, except to the extent otherwise specifically provided herein. Tenant waives any statutory lien it may have against the rent due under this Lease or against Landlord's property in Tenant's possession.

b. If Landlord defaults in the performance of any of its obligations under this Lease, Landlord will have thirty (30) days to cure after Tenant notifies Landlord of the default; or if the default is of a nature to require more than thirty (30) days to remedy, Landlord will have the time reasonably necessary to cure it.

c. Whenever a period of time is prescribed in this Lease for action to be taken by Landlord, Landlord will not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, applicable laws or any other causes of any kind whatsoever which are beyond the control of Landlord.

d. Tenant agrees to serve a notice of claimed default or breach by Landlord upon the lender holding a first mortgage or deed of trust against the Premises (herein called "Landlord's Mortgagee") if Tenant has been made aware of the name and address of such lender in writing. Notwithstanding
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anything to the contrary contained herein, Tenant will not exercise any right to terminate this Lease because of a default by Landlord before allowing such lender the opportunity to cure such default as provided in subsection 19(d). This subsection will not be interpreted as creating or broadening any right of Tenant to terminate this Lease because of a default by Landlord.

29. RELOCATION

Landlord may, at Landlord's expense, relocate Tenant within the Building or Property in space which is reasonably comparable in size to the Premises and is reasonably suited for Tenant's use. If Landlord relocates Tenant, Landlord shall reimburse Tenant for Tenant's reasonable out-of-pocket expenses for moving Tenant's furniture, equipment and supplies from the Premises to the relocation space and for reprinting Tenant's stationery of the same quality and quantity as Tenant's stationery supply on hand immediately before Landlord's notice to Tenant of the exercise of this relocation right. Upon such relocation, the relocation space shall be deemed to be the Premises and the terms of this Lease shall remain in full force and shall apply to the relocation space.

30. PARKING

If there is a parking lot and/or parking garage associated or connected with the Building, Landlord grants to Tenant the nonexclusive right of its employees, agents, customers, invitees and licensees to park vehicles in those areas of the Property designated by the Landlord as parking for the Building, subject to such terms, conditions and regulations as Landlord may adopt and modify from time to time relative to the parking areas. If Tenant sublets any portion of the Premises or assigns any of its interest in this Lease, then the parking spaces allocated to Tenant hereunder shall be reduced to the extent the ratio between the rentable square feet of the Premises and the parking spaces granted to Tenant hereunder exceeds the Building standard ratio of 3 parking spaces per 1,000 rentable square feet as established by Landlord from time to time.

31. MISCELLANEOUS

a. Landlord Transfer. Landlord may transfer, in whole or in part, the
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Building and any of its rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall thereby be released from any further obligations hereunder provided that the assignee assumes Landlord's obligations under this Lease.

b. Landlord's Liability. The liability of Landlord to Tenant for any
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default by Landlord under the terms of this Lease shall be limited to Tenant's actual direct, but not consequential, damages and shall be recoverable only from the interest of Landlord in the Property. Landlord and its directors, officers, partners, employees, agents, attorneys and representatives shall not be personally liable for any deficiency and Tenant agrees to look solely to Landlord's interest in the Property for recovery of any judgment from Landlord, it being intended that Landlord shall not be personally liable for any judgment or deficiency.

c. Brokerage. Landlord and Tenant each warrant to the other that it has
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not dealt with any broker or agent in connection with the negotiation or execution of this Lease except Landlord's Broker (Colliers International) and Tenant's Broker (Grubb & Ellis). Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any broker or agent claiming the same by, through, or under the indemnifying party. Commissions payable to Tenant's Broker shall be paid by Landlord only if a written commission agreement has been executed by and between Landlord and such broker. Landlord shall be responsible for payment of all commissions to Landlord's Broker.

d. Notices. All notices and other communications given pursuant to this Lease shall be in writing and shall be (i) mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the address specified in Section 1 of the Lease, (ii) hand delivered by local courier or national overnight delivery service to the specified address, or (iii) sent by facsimile transmission or telex followed by a confirmatory letter. All notices to Landlord shall be delivered to the addresses set forth in Section 1 and to Landlord's property management company at the address set forth in Section 2 and all notices to Tenant shall be to Tenant's address(es) set forth in Section 1. Notice sent by certified mail, postage prepaid, shall be effective three (3) business days after being deposited in the United States Mail; notices sent by hand delivery or overnight courier shall be effective upon delivery to the address specified herein and notices sent by facsimile or telex shall be effective when and if actually received by the individual to whom the notice is to be directed. The parties hereto may change their addresses for notice or payment by giving notice thereof to the other in conformity with this provision. In addition to the foregoing, any written notice to Tenant shall be deemed received when delivered to the Premises.

e. Severability. It is the parties intention that this Lease be enforceable and that it comply with all applicable laws. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws, then the remainder of this Lease shall not be affected thereby and in lieu of such clause or provision, there shall be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable.

f. Amendments; and Binding Effect. This Lease may not be amended except by instrument in writing signed by Landlord and Tenant. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord. The terms and conditions contained in this Lease shall inure to the benefit of and be binding upon the parties

hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided. This Lease is for the sole benefit of Landlord and Tenant, and, other than Landlord's mortgagee, no third party shall be deemed a third party beneficiary hereof.

g. Tenant's Right of Possession. Provided Tenant has timely performed all of the terms and conditions of this Lease to be performed by Tenant, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or any party claiming by, through, or under Landlord, subject to the terms and conditions of this Lease.

h. Joint and Several Liability. If there is more than one Tenant, then the obligations hereunder imposed upon Tenant shall be joint and several. If there is a guarantor of Tenant's obligations hereunder, then the obligations hereunder imposed upon Tenant shall be the joint and several obligations of Tenant and such guarantor, and Landlord need not first proceed against Tenant before proceeding against such guarantor nor shall any such guarantor be released from its guaranty for any reason whatsoever.

I. Captions. The captions contained in this Lease are for convenience of reference only, and do not limit or enlarge the terms and conditions of this Lease.

j. No Merger. There shall be no merger of the leasehold estate hereby created with the fee estate in the Premises or any part thereof if the same person or entity acquires or holds, directly or indirectly, this Lease or any interest in this Lease and the corresponding fee estate or any interest in such fee estate.

k. No Offer. The submission of this Lease to Tenant shall not be construed as an offer, nor shall Tenant have any rights under this Lease unless Landlord executes a copy of this Lease and delivers it to Tenant.

l. Exhibits. All exhibits added and attachments attached hereto are incorporated herein by this reference.

Exhibit A - Legal Description
Exhibit B - Outline of Premises
Exhibit C - Building Rules and Regulations
Exhibit D - Landlord Services
Exhibit E - Tenant Improvements

m. Entire Agreement. This Lease constitutes the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes all oral statements and prior writings relating thereto. Except for those set forth in this Lease, no representations, warranties, or agreements have been made by Landlord or Tenant to the other with respect to this Lease or the obligations of Landlord or Tenant in connection therewith.

n. Property Management. Landlord's Property Management Company is identified in Section 2 of the Lease. Landlord's Property Management Company may be changed without notice to Tenant from time to time. Tenant acknowledges that the Property Management Company is an independent contractor hired by Landlord to operate the Property.

o. Choice of Law. This Lease shall be governed by the laws of the state in which the Property is located and by the applicable laws of the United States of America.

p. Construction and Interpretation. This Lease shall not be construed in favor of either Landlord or Tenant regardless of who prepared the same. Whenever the terms "hereof," "hereby," "herein," or words of similar import are used herein they shall be construed as referring to this Lease in its entirety rather than to a particular section or provision. References to Sections and Exhibits refer to the sections of, and exhibits to, this Lease. Whenever the term "including" is used herein, it shall be interpreted as meaning "including, but not limited to."

q. Waiver of Jury Trial. Landlord and Tenant waive the right to trial by jury in any action, proceeding or counterclaim involving any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises or involving the right to any statutory relief or remedy.

Tenant hereby waives the right to interpose any counterclaim of any nature in any summary proceeding or other action or proceeding instituted by Landlord against Tenant, or in any action instituted by Landlord for unpaid Rent, Additional Rent or other amounts due under this Lease.

r. Use of Term "Tenant". The term "Tenant" wherever used in this Lease shall include its employees, agents, invitees, contractors, licensees, partners, officers and shareholders.

32. REPRESENTATIONS, WARRANTIES AND COVENANTS OF TENANT

Tenant represents, warrants and covenants that it is now in a solvent condition; that no bankruptcy or insolvency proceedings are pending or contemplated by or against Tenant or any guarantor of Tenant's obligations under this Lease; that all reports, statements and other data furnished by Tenant to Landlord in connection with this Lease are true and correct in all material respects; that the execution and delivery of this Lease by Tenant does not contravene, result in a breach of, or constitute a default under any contract or agreement to which Tenant is a party or by which Tenant may be bound and does not violate or contravene any law, order, decree, rule or regulation to which Tenant is subject; and that there are no judicial or administrative actions, suits, or proceedings pending or threatened against or affecting Tenant or any guarantor of Tenant's obligations under this Lease. If Tenant is a corporation, limited liability company or partnership, each of the persons executing this Lease on behalf of Tenant represents and warrants that Tenant is duly organized and

existing, is qualified to do business in the state in which the Premises are located, has full right and authority to enter into this Lease, that the persons signing on behalf of

Tenant are authorized to do so by appropriate corporate, company or partnership action and that the terms, conditions and covenants in this Lease are enforceable against Tenant. If Tenant is a corporation or limited liability company, Tenant shall deliver certified resolutions to Landlord, upon request, evidencing that the execution and delivery of this Lease has been duly authorized and properly executed, and will deliver such other evidence of existence, authority and good standing as Landlord shall require.

33. ENVIRONMENTAL PROVISIONS

a. Terms defined below in this Section shall have the following meanings:

(i) "Applicable Environmental Laws" means all applicable federal, state and other laws, ordinances, rules and regulations of any governmental entity pertaining to health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended, hereinafter called "RCRA").

(ii) "Expenses" means all liabilities, obligations, losses, damages, penalties, claims, actions, suits, proceedings, costs, expenses (including reasonable attorneys' fees), costs of settlement and disbursements of any kind and nature whatsoever.

(iii) "Hazardous substance" and "release" shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA; provided, in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and provided further, to the extent that the laws of the State of Nevada establish a meaning for "hazardous substance", "release," "solid waste," or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply.

(iv) "Indemnified Party" means each of Landlord and any successors and assigns as to all or any portion of the Property or any interest therein, and any affiliate, officer, agent, director, employee or servant of any of them.

b. Tenant warrants and represents that to Tenant's knowledge Tenant's intended use of the Premises will not violate Applicable Environmental Laws. Tenant shall not cause or permit the Property, the Premises or Tenant to be in violation of, or do anything or permit anything to be done which will subject the Landlord or the Premises or the Property to any remedial obligations under any Applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Premises, the Property and Tenant. Tenant shall promptly notify Landlord in writing of any existing, pending or, to the knowledge of Tenant, threatened investigation or inquiry by any governmental

authority in connection with any violation of Applicable Environmental Laws by Tenant or any person or entity acting through or on behalf of Tenant or the Premises. Tenant shall take all steps necessary to determine during the Term of this Lease that no hazardous substances or solid wastes are being disposed of or otherwise released on or to or from the Property or the Premises. Landlord may enter upon the Premises at any time and without notice to verify compliance with this Section if Landlord believes in good faith that a violation of this Section may have occurred or be threatened. Any violation of this Section by Tenant shall constitute an Event of Default under this Lease, which cannot be cured.

c. Tenant hereby agrees to assume liability for and to pay, indemnify,

protect and hold harmless every Indemnified Party from any and all Expenses imposed, incurred or asserted (regardless of whether the Indemnified Party shall be indemnified by any other person or entity) in any way relating to or arising out of (a) a violation of Applicable Environmental Laws by Tenant during the term of this Lease or during any period of holdover by Tenant after the Term of the Lease, or (b) a disposal or other release of any hazardous substance or solid waste on, to or from the Premises or the Property by the Tenant during the term of the Lease or during any such period of holdover. The Tenant acknowledges that it has been given ample time to consult with counsel in agreeing to the indemnity set forth in this Lease and fully understands it. This indemnity shall survive the termination or expiration of this Lease. The foregoing indemnity shall not render Tenant liable to any Indemnified Party for any Expenses to the extent that such Indemnified Party may incur such Expenses as a result of its own willful misconduct or negligence.

d. If an Indemnified Party notifies Tenant of any claim or notice of the commencement of any action, administrative or legal proceeding, or investigation as to which the indemnity may apply, Tenant shall assume on behalf of the Indemnified Party and conduct with due diligence and in good faith the defense thereof with counsel reasonably satisfactory to the Indemnified Party; provided, that the Indemnified party shall have the right to be represented therein by advisory counsel of its own selection and at its own expense; and provided further, that if any such claim, action, proceeding or investigation involves both Tenant and the Indemnified Party and the Indemnified Party shall have reasonably concluded that there may be legal defenses available to it which are different from, additional to, or inconsistent with those available to Tenant, then the Indemnified Party shall have the right to select separate counsel to participate in the defense of such claim, action, proceeding or investigation on its own behalf at Tenant's expense.

e. If any claim, action, proceeding or investigation arises as to which the indemnity provided for may apply, and Tenant fails to assume promptly (and in any event within ten (10) days after being notified of the claim, action, proceeding or investigation) the defense of the Indemnified Party, then the Indemnified Party may contest (or, with the prior written consent of Tenant, settle) the claim, action, proceeding or investigation at Tenant's expense using counsel selected by the Indemnified Party; provided, that no such contest need be made by the Indemnified Party and settlement or full payment of any claim may be made by the Indemnified Party without

Tenant's consent and without releasing Tenant from any obligations to the Indemnified Party if, in the written opinion of the Indemnified Party's counsel, the settlement or payment in full is advisable. All costs and expenses incurred by the Indemnified Party in connection with any such contest, settlement or payment shall be payable upon demand.

f. To the Landlord's best knowledge no hazardous substance exists in the Premises that are in violation of Applicable Environmental Laws.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE.

EXECUTED as indicated below and effective on the latter of the dates indicated below.

LANDLORD: Tomorrow 33 Convention, LP
a Delaware limited partnership

By: TFMGP 33 L.P., It's general partner
a Delaware limited partnership
its sole general partner

By: TFMGP 33 Corp., It's general partner
its general partner

By: _/s/ Cheryl S. Willoughby_____
Cheryl S. Willoughby
Vice President

Date: 9/3/03

TENANT: Telco Billing, Inc

A Nevada Corporation

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By: /s/ Angelo Tullo, pres

Name: Angelo Tullo

Title: President

Date: 8/29/03

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EXHIBIT "A"

LEGAL DESCRIPTION

Parcel One (1):

That portion of the Southeast Quarter (SE 1/4) of Section 9, Township 21 South, Range 61 East, M.D.B. & M., Clark County, Nevada, being more particularly described as follows:

Parcels One (1), Two (2) and Three (3) as shown on Parcel Map recorded October 14, 1980, at Page 69, File 32 of Parcel Maps, in the Office of the County Recorder, Clark County, Nevada.

Excepting therefrom that certain spandrel area lying within the Northwest Corner thereof as conveyed to the County of Clark, by Deed recorded March 6, 1981 as Instrument/File No. 1324003 in Book 1365 of Official Records.

Parcel Two (2):

The West 100.00 feet of that portion of the Southeast Quarter (SE 1/4) of Section 9, Township 21 South, Range 61 East, M.D.M., Clark County, Nevada, described as follows:

Commencing at the Southeast Corner of said Section 9;
Thence North 4 39' 07" West along the East line thereof, a distance of 702.78 feet to a point;
Thence North 89 02' 13" West, a distance of 258.90 feet to a point;
Thence North 0 11' 20" East, East 235.02 feet to a point;

Thence North 89 21' 40" West, a distance of 1337.25 feet to the Northwest Corner of that certain parcel of land conveyed by Vegas Valley Development Co., Ltd., to Clifford A. Jones and C. D. Baker, by Deed recorded December 4, 1951 as Instrument/File No. 378222,Clark County, Nevada, being the True Point of Beginning;

Thence South 2 51' East, a distance of 277.06 feet to the Southwest Corner of the said conveyed parcel;
Thence South 88 56' East along the South line of the said conveyed parcel, a distance of 337.30 feet to a point;
Thence Northerly, a distance of 279.70 feet, more or less, to a point on the North line of said conveyed parcel, distant thereon South 89 21' 40" East, 340.00 feet from the Northwest Corner thereof;

Thence North 89 21' 40" West, a distance of 340.00 feet to the True Point of Beginning.

Assessor's Parcel No: 162-09-805-001,002,004 & 007

EXHIBIT "B"

OUTLINE OF PREMISES

[GRAPHIC OMITED]

101 CONVETION CENTER PLAZA

L E V E L T E N

EXHIBIT "C"

BUILDING RULES AND REGULATIONS

1. Sidewalks, doorways, vestibules, halls, stairways and similar areas shall not be obstructed by tenants or their officers, agents, contractors, invitees, servants, and employees, or used for any purpose other than ingress and egress to and from their respective leased premises and for going from one part of the Building or Property to another part of the Building or Property.

2. Plumbing fixtures and appliances shall be used only for the purposes for which constructed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or placed therein. Any stoppage or damage resulting to any such fixtures or appliances from misuse on the part of a tenant or such tenant's officers, agents, contractors, invitees, servants, and employees shall be paid by such tenant.

3. No signs, posters, advertisements, or notices shall be painted or affixed by or on behalf of any tenant on any of the windows or doors, or other part of the Building or Property, except lettering of such color, size and style and in such places, as shall be first approved in writing by the Landlord's Property Manager. No nails, hooks or screws shall be driven into or inserted in any part of the Building, except by building maintenance personnel.

4. Directories may be placed by the Landlord, at Landlord's own expense, in conspicuous places in the Building or on the Property. No other directories shall be permitted.

5. Tenants shall not do anything, or permit anything to be done, in or about the Property, or bring or keep anything therein or thereon, that will in any way increase the possibility of fire or other casualty or obstruct or interfere with the rights of, or otherwise injure or annoy, other tenants, or do anything in conflict with the valid pertinent laws, rules or regulations of any governmental authority.

6. Corridor doors, when not in use, shall be kept closed.

7. All deliveries of furniture, freight, office-equipment or other materials for dispatch or receipt by Tenant must be made by licensed commercial movers via the service entrance of the Building in a manner and during hours set by Landlord from time to time. Prior approval must be obtained from the Landlord's Property Manager for any deliveries that might interfere with the free movement of others through the public corridors of the Building. All hand trucks shall be equipped with rubber tires and rubber side guards.

8. Each tenant shall cooperate with Building employees in keeping the Property, Building and their respective Premises neat and clean.

9. Nothing shall be swept or thrown into the corridors, halls, elevator shafts or stairways. No birds or animals shall be brought into or kept in or about the Property or Building.

10. Should a tenant require telegraphic, telephonic, annunciator or any other

communication service, the Landlord will direct the electricians and installers where and how the wires are to be introduced and placed, and none shall be introduced or placed except as the Landlord shall direct.

11. Tenants shall not make or permit any unseemly, disturbing or improper noises in the Property or Building, or otherwise interfere in any way with other tenants, or persons having business with them.

12. No equipment of any kind shall be operated in any tenant's leased premises that could in any way annoy any other tenant in the Building without the prior written consent of the Landlord.

13. Tenants shall not use or keep on the Property or in the Building any inflammable or explosive fluid or substance, or any illuminating material, unless it is battery powered, UL approved.

14. Tenant and Tenant's employees, or agents, or anyone else who desires to enter the Building after normal working hours will be required to close doors into the Building behind them. Locks to such doors will not be tampered with.

15. All electrical fixtures hung in the Premises must be fluorescent or can
lighting and of a quality, type, design, bulb color, size and general appearance approved by Landlord.

16. No water (swamp) cooler, air conditioning unit, space heater or system or other apparatus shall be installed or used by a tenant without the prior written consent of Landlord.

17. Normal business hours for the Building shall be 7:00 a.m. through 6:00 p.m. on weekdays, excluding legal holidays.

18. References to "holidays" and "legal holidays" in the leases to tenants in the Building shall include the following:

January 1st. . . . . New Year's Day

Last Monday in May . . . . . Memorial Day

July 4th . . . . . Independence Day

First Monday in September . . . . . Labor Day

Fourth Thursday in November . . . . . Thanksgiving

December 25th . . . . . Christmas

19. The Landlord reserves the right to rescind any of these rules (as to any particular tenant or as to all tenants generally) and to make such other and further rules and regulations as in the judgment of Landlord shall from time to time be needed for the safety, protection, care and cleanliness of the Property and Building, the operation thereof, the preservation of good order therein, and the protection and comfort of its tenants, their agents, employees and invitees, which rules when made and notice thereof given to a tenant shall be binding upon such tenant in like manner as if originally herein prescribed. In the event of any conflict, inconsistency, or other difference between the terms and provisions of these Rules and Regulations (as now or hereafter in effect) and the terms and provisions of any lease now or hereafter in effect between Landlord and any tenant in the Building, Landlord shall have the right to rely on the term or provision in either such lease or such Rules and Regulations which is most restrictive on such tenant.

EXHIBIT "D"

LANDLORD'S SERVICES

The following services will be provided by Landlord:

1. water (hot and cold) at those points of supply provided for general use of

tenants of the Building;

2. heated and refrigerated air conditioning as appropriate, at such temperatures and in such amounts as are reasonably considered by Landlord to be standard office conditions for the Building, from 7:00 a.m. to 6:00 p.m., Monday through Friday, and from 8:00 a.m. to 1:00 p.m. on Saturdays;

3. janitorial service to the Premises on weekdays other than holidays for Building-standard installations (Landlord reserves the right to bill Tenant separately for extra janitorial service required for non-standard installations) and such window washing as may from time to time in Landlord's judgment be reasonably required;

4. elevators for ingress and egress to the floor on which the Premises are located, in common with other tenants, provided that Landlord may reasonably limit the number of elevators to be in operation at times other than during customary business hours and on holidays;

5. replacement of ballasts and fluorescent tubes in building-standard ceiling mounted fixtures installed by Landlord and incandescent bulb replacement in all public areas of the Building;

6. electrical current during normal business hours other than for computers, electronic data processing equipment, special lighting and equipment that requires more than 110 volts, or other equipment whose electrical energy consumption exceeds normal office usage;

7. landscaping; and

8. snow and ice removal from primary ingress, egress and parking areas

EXHIBIT "E"

TENANT FINISH: ALLOWANCE

1. Except as set forth in this Exhibit, Tenant accepts the Premises in its "as is" condition on the date that this Lease is entered into.

2. Landlord agrees to clean the premises of all debris, have the carpets professionally cleaned, and repair minor defects in all walls, and touch-up said defects with paint. Landlord will use its best efforts to match the paint color as close as possible.

3. Landlord shall provide to Tenant a construction allowance ("Construction Allowance") equal to the lesser of (a) $3,591.00 ($1.00 /rentable square foot) or (b) the Total Construction Costs, as adjusted for any approved changes to the Drawings; however, if Tenant or its agent is managing the performance of the work, then Tenant shall not become entitled to full credit for the Construction Allowance until Tenant has caused to be delivered to Landlord (i) all invoices from contractors, subcontractors, and suppliers evidencing the cost of performing the work, together with lien waivers from such parties, and a consent of the surety to the finished Improvements (if applicable) and (ii) a certificate of occupancy from the appropriate governmental authority, if applicable, and evidence of governmental inspection and approval of the Improvements, if applicable.

GUARANTY

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration for, and as an inducement to Landlord to make the attached Lease with Tenant dated September _3__, 2003 by and between Tomorrow 33 Convention, LP and Telco Billing, Inc, the undersigned does hereby guarantee to Landlord, without condition or limitations except as hereinafter provided, the payment of Rent and Additional Rent to be paid by the Tenant and the full performance and observance of all the terms, covenants and conditions therein provided to be performed, observed or complied with by Tenant, including the Rules and Regulations as therein provided, without requiring any notice of non-payment, non-performance or non-observance, or proof, or notice, or

demand, whereby to charge the undersigned therefor, all of which the undersigned hereby expressly waives and expressly agrees that the validity of this guaranty and the obligations of the guarantor hereunder shall in no way be terminated, affected or impaired by reason of the assertion by Landlord against Tenant of any of the rights or remedies reserved to Landlord pursuant to the provisions of the attached Lease. Landlord may grant extensions of time and other indulgences and may modify, amend or waive any of the terms, covenants or conditions of the attached lease, and discharge or release any party or parties thereto, all without notice to the undersigned and without in any way impairing, releasing or affecting the liability or obligation of the undersigned. Each of the undersigned agrees that Landlord may proceed directly against the undersigned without taking any action under the attached Lease and without exhausting Landlord remedies against Tenant; and no discharge of Tenant in bankruptcy or in any other insolvency proceedings shall in any way or to any extent discharge or release the undersigned from any liability or obligation hereunder. The undersigned further covenants and agrees that this guaranty shall remain and continue in full force and effect as to any renewal, modification or extension of the attached Lease, and that no subletting and no assignment of the within Lease, with or without Landlord's consent thereto, shall release or discharge the undersigned. As a further inducement to Landlord to make the within Lease and in consideration therefor, the undersigned agrees that in any action or proceeding brought by either Landlord or the undersigned against the other on any matter whatsoever arising out of, under, or by virtue of any of the terms, covenants or conditions of the attached Lease or of this guaranty, the undersigned shall pay, in addition to any damages which a court of competent jurisdiction may award, such amount or amounts as the court may determine to be reasonable attorneys' fees incurred by Landlord or its successors or assigns in the enforcement of this guaranty. All rights under this guaranty shall inure to the benefit of any successors or assigns of Landlord.

This Guaranty relates to that certain Lease, dated _Sept 3__, 2003, covering Premises located at 101 Convention Center, Suite 1001/1002, Las Vegas, Nevada 89109.

IN WITNESS WHEREOF, the undersigned has signed this Guaranty as of the ___ of _____, 200__.

Guarantor: YP.NET, Inc,
a __Nevada_____ corporation

By:__/s/ Angelo Tullo, pres

its:_President, Chairman
(Title)

Date:___8/29/03_____

____88-0391858_____
Employer Identification Number

ACKNOWLEDGEMENT OF LEASE COMMENCEMENT

The undersigned parties acknowledge that the following described Lease Agreement is in full force and effect and that Tenant has taken possession of the demised Premises.

Date of Lease:
_____

Landlord:
_____

Tenant:
_____

Building Name:
_____

Suite Number:

The undersigned parties acknowledge that the Commencement Date and the expiration date of the initial Lease term as defined in Paragraph ____ of the above referenced Lease Agreement is as follows:

Commencement: ___9/1/03_____

Expiration: ___9/30/06_____

The undersigned parties further acknowledge that the above referenced Lease Agreement has not been amended or modified and all terms and provisions remain in full force and effect.

LANDLORD:

By _____, General Partner

By: _____
Cheryl S. Willoughby
Vice President

Date:_____

TENANT:

_/s/ Angelo Tullo_____
By:__President_____
(Title)

Date:__8/29/03_____

EXHIBIT 10.10

AMENDMENT NO. 3 TO STOCK PURCHASE AGREEMENT

THIS AMENDMENT NO. 3 TO STOCK PURCHASE AGREEMENT (the "AMENDMENT"), effective as of October 31st, 2003 (the "EFFECTIVE DATE"), is made by and among YP.NET, INC., a Nevada corporation, f/k/a RIGL Corporation ("COMPANY"), MORRIS & MILLER, LTD., an Antigua corporation ("MORRIS & MILLER") and MATHEW AND MARKSON, LTD., an Antigua corporation ("MATHEW AND MARKSON" and, together with Morris & Miller, the "SHAREHOLDERS"). Collectively, all of the parties to this Amendment will be referred to as the "PARTIES."

BACKGROUND

The Parties executed that certain Stock Purchase Agreement, dated March 16, 1999 ("PURCHASE AGREEMENT"), whereby Company agreed to acquire all of the outstanding shares of Telco, Inc., including those shares owned by Shareholders. The Purchase Agreement provided the Shareholders with the right to "put" shares of the Company owned by them back to the Company under certain circumstances. In connection with the execution of the Purchase Agreement, the Parties executed that certain Amendment to the Stock Purchase Agreement, dated March 16, 1999, which cured a technical default under the Purchase Agreement.

Subsequently, the Parties executed that certain 2nd Amendment to Stock Purchase Agreement, effective September 12, 2000 ("SECOND AMENDMENT") whereby the "put" rights of the Shareholders were terminated in exchange for the creation of revolving lines of credit for the benefit of the Shareholders. Under the lines of credit, the Company agreed to lend up to $10,000,000 to each Shareholder, subject to certain limitations (the "REVOLVERS").

The parties now desire to further amend the Purchase Agreement and the Second Amendment by terminating the revolving lines of credit established under the Second Amendment in exchange for the Company's agreement to: (a) make final, predetermined advances to the Shareholders and (b) pay quarterly dividends to all of the Company's shareholders, subject to applicable law and the terms and conditions of this Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants, conditions, representations and warranties herein contained, and for other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Parties agree that Paragraph 1.4 of the Purchase Agreement, as amended by the Second Amendment, is hereby further amended by replacing the provisions set forth in the Second Amendment with the terms of this Amendment. All other terms of the Purchase Agreement as previously amended remain in full force and effect.

ARTICLE 1

FINAL ADVANCES AND TERMINATION OF REVOLVERS

1.1 ADVANCES. Subject to the terms and conditions of this Amendment, the Company have loaned or will lend to the Shareholders the following amounts (each, a "FINAL ADVANCE AMOUNT") as allocated and on the dates specified (each a "FINAL ADVANCE" and, collectively, with all preexisting outstanding advances or loans made to the Shareholders under the Revolvers or otherwise, the "ADVANCES"):

<TABLE>
<CAPTION>

FINAL ADVANCE AMOUNT	ADVANCE DATE	ALLOCATION
<S>	<C>	<C>
$250,000.00	October 31, 2003	100,000.00 to Mathew &

		Markson and $150,000.00 to Morris & Miller
$250,000.00	November 15, 2003	100,000.00 to Mathew & Markson and $150,000.00 to Morris & Miller
$1,500,000.00	December 8, 2003	1,500,000.00 to Morris & Miller
$325,000.00	January 30, 2004	275,000.00 to Morris & Miller & $50,000.00 to Mathew & Markson
$400,000.00	February 27, 2004	300,000.00 to Morris & Miller and $100,000.00 to Mathew & Markson
$575,000.00	March 31, 2004	500,000.00 to Morris & Miller and $75,000.00 to Mathew & Markson
$_____ (an amount sufficient to pay the Shareholders' collective interest on all Advances by the Company, which total _____ the "PREEXISTING DEBT"), for three years (the "INTEREST ADVANCE"))	April 9, 2004	_____ to Mathew & Markson and $_____ to Morris & Miller

1.1.1 GUARANTEE OF ADVANCES. As a material inducement by the Company to effectuate this Amendment with the Shareholders, the Company unconditionally guarantees to make the Advances listed in 1.1 above. Such Guarantee(s) of payment will be separately evidenced by individual Certificates of Guarantee for Payment (the "Certificates") in the form attached hereto as Exhibit A [WE NEED A COPY OF IT!?]. The Certificates are freely assignable by
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the Shareholders without notice to or consent by the Company. The assignment of the Certificates does not relieve the Shareholders of any of their obligations under this Amendment.

1.1.2 PAYMENTS TO THIRD PARTIES. The Company will not make any of the Advances to any third party except to a law firm designated in writing by the Shareholder(s) to manage certain affairs of the Shareholder(s) or to the assignees, if any, of the Certificates. As of the signing of this Amendment, Morris & Miller designates the law firm Fennemore Craig, P.C. of Phoenix, Arizona to receive the Advances listed above on its behalf in trust from December 8, 2003, forward.

1.1.3 METHOD OF PAYMENT. The Advances shall be made by certified check or wire transfer at the election of the Shareholders or the assignees, if any, of the Certificates.

1.2 TERMINATION OF REVOLVERS. Upon payment of the Interest Advance, the Revolvers will terminate and expire and will be of no further force or effect. The Company will no longer be obligated to advance any funds to Shareholders or any assignee of the Certificates, except as provided in this Amendment and the Certificates. Notwithstanding the foregoing, however, the Advances, including the outstanding advance amounts made to the Shareholders under the Revolvers prior to this Amendment, will be subject to the terms of this Amendment.

1.3 SECURITY.

1.3.1 The Shareholders' repayment and other obligations with respect to the Advances will be secured by a lien on shares of common stock of the Company, $.001 par value per share, held by the Shareholders ("PLEDGED SHARES") on the terms and conditions for the pledge of shares as collateral provided for under the Revolvers, as set forth in the Second Amendment.

Notwithstanding the foregoing, the Shareholders will pledge to the Company that number of Pledged Shares sufficient to fully collateralize the Advances based on the following per share valuation criteria ("VALUE CRITERIA"): a share of Company common stock will be valued at the greater of: (i) 90% of the highest closing price of one share of the Company's common stock during the 90-day period immediately preceding the valuation date as quoted or listed on the Over-the-Counter Bulletin Board or a national exchange or quotation system; or (ii) a minimum of $1.00 per share. The aggregate value of the Pledged Shares based on the Value Criteria as of the date of this Amendment will be the "ORIGINAL COLLATERAL VALUE." At the end of each Company fiscal quarter, the Company will reassess the value of the Pledged Shares. If the Value Criteria produce an aggregate value that is in excess of the Original Collateral Value, the Company will release that number of Pledged Shares necessary to reduce the reassessed value to an amount equal to the Original Collateral Value. The Shareholders will not be obligated to pledge any additional shares of Company common stock if the Value Criteria produce an aggregate value that is less than the Original Collateral Value in any future measurement period.

1.3.2 All certificates or instruments representing or evidencing the Pledged Shares will be held by the Shareholders for which a stop transfer order will be enforced at the Company's transfer agent, and upon demand, after an uncured Event of Shareholder Default (as defined below), shall be promptly delivered to the Company, and will be in suitable form for transfer by delivery, and will be accompanied by stock powers in the form of Exhibit B attached
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hereto, duly executed in blank by Shareholder, to be held by Company upon the terms and conditions set forth in this Amendment. The Company will have the right, at any time in its discretion and upon notice to Shareholders following the occurrence of an Event of Shareholder Default (as defined below), to transfer to or to register in the name of Company or any of its nominees any or all of the Pledged Shares then remaining in the Shareholders' possession.

1.3.3 The Shareholders will, from time to time, promptly execute and deliver all further instruments and documents and take all further action that may be necessary or desirable, or that the Company may reasonably request, in order to protect any security interest granted or purported to be granted hereby, to enable the Company to exercise and enforce the rights and remedies of the Company hereunder with respect to any Pledged Shares or to carry out the provisions and purposes hereof.

1.3.4 So long as any Advance remains unpaid, neither Shareholder will, without the consent of company:

(a) sell, transfer, assign or dispose of or create, incur, assume or suffer to exist any security interest, lien or other encumbrance on any of the Pledged Shares now owned or hereafter acquired other than pursuant to this Amendment; or

(b) convert any of the Pledged Shares into other stock or securities (including any warrants, options, subscriptions or other contractual arrangements for the purchase of stock or securities convertible into stock).

1.3.5 Effective upon the occurrence of an Event of Shareholder Default, the Shareholders hereby irrevocably appoint Company as their attorney-in-fact with full authority in the place and stead of Shareholders and in the name of Shareholders, Company or otherwise, from time to time in Company's discretion to take any action and to execute any instrument that Company may deem necessary or advisable to accomplish the purposes of this Amendment, including an irrevocable proxy to vote the Pledged Shares. This power of attorney is coupled with an interest and shall be irrevocable until all obligations of Shareholders on the Advances and hereunder have been indefeasibly paid and satisfied in full.

1.3.6. Effective upon the occurrence of an Event of Company Default (as defined below) that remains uncured for 10 days, all of the Pledged Shares shall be automatically released from any claims or liens by the Company until such time as Company has cured the Event of Company Default.

1.3.7. Effective upon the occurrence of the Loan Forgiveness (as

defined below), the Pledged Shares shall be automatically and permanently released from any claims or lien by the Company.

1.4 INTEREST.

1.4.1 Each Shareholder acknowledges and agrees that the amount of each Advance does not include a reserve or allocation for payment of interest and that interest will be payable from the separate funds of each Shareholder.

1.4.2 Annual interest at eight percent (8%) will accrue on the unpaid balance of each Advance, commencing on the date that the Advance was made to the Shareholders. Subject to the provisions of Section 1.7 below, the interest on each Advance will be due and payable by the Shareholders quarterly in arrears and, in any event, all such interest will become due and payable on the "Maturity Date," as defined below. Interest on pre-existing advances for periods prior to this Amendment, has been paid with advances by the Company to the Shareholders and the principal amount of such advances has been aggregated with the pre-existing Advances that the Parties have agreed are to be repaid hereunder.

1.4.3 All payments of principal or interest on each Advance will be made without offset or deduction of any sort including, but not limited to, any present or future taxes, levies, imposts, deductions, charges or withholdings, now or hereafter imposed or claimed, all of which amounts will be paid by the Shareholder. Each Shareholder will pay all the amounts necessary with respect to any Advance on which such Shareholder is the debtor such that the gross amount of the principal and interest received by Company is not less than that required by such Advance. All stamp and documentary transfer taxes, if any, now or hereafter imposed on any of the Loans will be paid by each Shareholder that is a debtor on such Advances. The foregoing to the contrary notwithstanding, if Company, in Company's sole discretion, pays such taxes on any of the Advances, each Shareholder that is a debtor on such Advances will immediately reimburse Company for the amount paid. Each Shareholder will furnish to Company, upon written request therefor by Company, official tax receipts or other evidence of payment of all such stamp and documentary transfer taxes, if any.

1.5 MATURITY DATE.

1.5.1 The unpaid principal balance of each Advance, including all prior advances made under the Revolvers, together with all unpaid interest accrued thereon and all other amounts payable by any Shareholder under the terms of this Amendment will be due and payable on May 7, 2007 ("MATURITY DATE"). All payments will be made in lawful money of the United States of America in same day funds and received by Company not later than the close of Company's business on the Maturity Date. Any payment received after the close of Company's business on the Maturity Date will be deemed received by Company on the next business day.

1.5.2 If the Maturity Date should fall on a day that is not a business day, payment of the outstanding principal balance due and payable on such Maturity Date will be made

on the next succeeding business day and such extension of time will be included in computing any interest in respect of such payment.

1.6 PREPAYMENT. The Advances may be prepaid, in whole or in part, without any penalty whatsoever.

1.7 PREPAYMENT OF INTEREST. Shareholders will pay to Company an amount at least equal to the Interest Advance (the "INTEREST PAYMENT") within ten days of the receipt by Shareholders of the Interest Advance. The Interest Payment will satisfy the Shareholders' interest obligations on the Advances through the Maturity Date.

1.8 EVENT OF SHAREHOLDER DEFAULT. The occurrence of any of the following will be deemed to be an event of Shareholder default ("EVENT OF SHAREHOLDER DEFAULT"):

(a) default in the payment of all outstanding amounts of

principal or interest on the Maturity Date;

(b) the entry of an order for relief under the Federal Bankruptcy Code or similar laws in Antigua or otherwise governing a Shareholder as to a Shareholder or approving a petition in reorganization or other similar relief under bankruptcy or similar laws in the United States of America, Antigua or any other competent jurisdiction, and if such order, if involuntary, is not satisfied or withdrawn within 60 days after entry thereof; or the filing of a petition by a Shareholder seeking any of the foregoing, or consent thereto; or the filing of a petition to take advantage of any Shareholder's act; or making a general assignment for the benefit of the Company; or admitting in writing inability to pay debts as they mature;

(c) if a court of competent jurisdiction enters an order or decree under any bankruptcy law that (i) appoints a trustee, receiver, assignee, liquidator or similar official for a Shareholder or substantially all of a Shareholder's properties; or (ii) orders the liquidation of a Shareholder, and in each case the order or decree is not dismissed within 60 days;

(d) the liquidation, termination, or winding up of a Shareholder; or

(e) if a Shareholder or any affiliated party or entity of Shareholder breaches any term or is in default under any provision of this Amendment.

So long as any amount under an Advance shall remain unpaid, Shareholder will, unless the Company otherwise consents in writing, promptly give written notice to the Company in reasonable detail of the occurrence of any Event of Shareholder Default or of any condition, event or act, which, with the giving of notice or the passage of time or both, would or might constitute an Event of Shareholder Default.

1.9 EVENT OF COMPANY DEFAULT. The occurrence of any of the following will be deemed to be an event of Company default ("EVENT OF COMPANY DEFAULT"):

(a) the Company's failure to pay a Final Advance Amount on or before the Advance Dates listed in Section 1.1;

(b) the Company's failure to pay a permissible Dividend or a Dividend Default Payment in accordance with the provisions in Article 2;

(c) the entry of an order for relief under the Federal Bankruptcy Code or similar laws otherwise governing the Company as to the Company or approving a petition in reorganization or other similar relief under bankruptcy or similar laws in the United States of America and if such order, if involuntary, is not satisfied or withdrawn within 60 days after entry thereof; or the filing of a petition by the Company seeking any of the foregoing, or consent thereto; or the filing of a petition to take advantage of the Company's act; or making a general assignment for the benefit of the Company; or admitting in writing inability to pay debts as they mature;

(d) if a court of competent jurisdiction enters an order or decree under any bankruptcy law that (i) appoints a trustee, receiver, assignee, liquidator or similar official for the Company or substantially all of the Company's properties; or (ii) orders the liquidation of the Company, and in each case the order or decree is not dismissed within 60 days;

(e) the liquidation, termination, or winding up of the Company; or

(f) if the Company or any affiliated party or entity of the Company breaches any term or is in default under any provision of this Amendment.

So long as Company is obligated to pay any Advances or declare any dividends, pursuant to this Amendment, Company will, unless the Shareholders otherwise consent in writing, promptly give written notice to the Shareholders in reasonable detail of the occurrence of any Event of Company Default or of any

condition, event or act, which, with the giving of notice or the passage of time or both, would or might constitute an Event of Company Default.

ARTICLE 2

DIVIDENDS

2.1 AGREEMENT TO ISSUE QUARTERLY DIVIDEND.

2.1.1 Subject to applicable laws under the Nevada Revised Statutes and the Federal and State securities laws in effect from time to time, the Company agrees, to the extent the Company and the Board of Directors are permitted under the applicable laws, to declare and pay a cash dividend of at least $.01 per share to all of its common stock shareholders within 60 days of the end of each fiscal quarter ("DIVIDEND DATE") commencing no later than April 30th, 2004 for the Company's fiscal quarter ended March 31, 2004, and for each fiscal quarter thereafter based on the record date announced by the Board of Directors (a "PERMISSIBLE DIVIDEND").

2.1.2 Shareholders acknowledge and understand that the Company will be under no obligation to pay a dividend or make any distribution to its shareholders under this Amendment or otherwise unless the declaration and payment of such dividends or distributions is permitted under the provisions of Nevada Revised Statutes Sec.78.288, or any successor statute, in

effect as of a Dividend Date ("PERMITTED COMPANY DEFAULT"). A copy of Sec. 78.288 in existence as of the date of this Amendment is attached here as Exhibit C. Shareholders further acknowledge and agree that a Permitted Company Default will not constitute an Event of Company Default or a breach of or default under any terms, conditions or provisions of this Amendment, the Purchase Agreement or Revolvers.

2.2 FAILURE TO PAY A PERMISSIBLE DIVIDEND.

2.2.1 Except in circumstances where a Permitted Company Default exists, the Shareholders will be entitled to the immediate payment from the Company of $1,000,000.00 ("DIVIDEND DEFAULT PAYMENT") in the event: (a) the Company fails to cause a Permissible Dividend to be declared and paid to its shareholders by an applicable Dividend Date and (b) if such failure continues uncured for 25 days after the Company's receipt of a written notice by either Shareholder ("DIVIDEND DEFAULT NOTICE").

2.2.2 Except in circumstances where a Permitted Company Default exists, in addition to the Dividend Default Payment, the Shareholders will be entitled to have the Advances currently outstanding, and all accrued interest, if any, forgiven by the Company ("LOAN FORGIVENESS") in the event: (a) the Company fails to cause a Permissible Dividend to be declared and paid to its shareholders for two consecutive Dividend Dates and (b) such default continues uncured for 25 days after the Company's receipt of a second Dividend Default Notice.

2.3 TERMINATION OF REQUIRED DIVIDENDS. Neither the Company nor its officers, directors or shareholders will have any further obligations to the Shareholders or any shareholders, either to pay Permissible Dividends or to make Advances upon the earlier to occur of: (i) a Loan Forgiveness or (ii) the Maturity Date.

ARTICLE 3

SHAREHOLDERS ANNOUNCE THEIR INTENTION TO PURCHASE ADDITIONAL COMMON SHARES OF THE COMPANY.

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Each of the Shareholders currently intend to purchase up to 1 million additional common shares of the Company on the open market subject to all applicable laws and regulations and their discretion within the next 24 months. The Shareholders will do this as part of an organized plan of buying that will allow the shareholders to buy whenever there is a softening of prices in the market. Nevertheless, the Shareholders are under no obligation to purchase any additional shares or to purchase shares at any specific time.

ARTICLE 4

REPRESENTATIONS, WARRANTIES AND COVENANTS OF EACH SHAREHOLDER

Knowing that the Company will be relying on the following representations, warranties and covenants of the Shareholders as an inducement to execute this Amendment, each Shareholder, jointly and severally, hereby represents, warrants and covenants to Company as follows:

4.1 There are no actions, suits, or proceedings pending or, to the best of each Shareholders' knowledge after due diligence, threatened in any court or before or by any governmental authority that materially and adversely affects each Shareholders' ability to pay and perform each Shareholder's obligations on the Advances or under this Amendment or that involve the validity, enforceability, or priority of this Amendment.

4.2 This Amendment, and all other documents referred to herein to which each Shareholder is a party, constitute valid and binding obligations of each Shareholder enforceable in accordance with their terms. The consummation of the transactions contemplated hereby and the performance of any of the terms and conditions hereof will not result in a breach of or constitute a default under any mortgage, deed of trust, promissory note, loan agreement, credit agreement, or any other agreement to which either Shareholder is a party or by which either Shareholder may be bound.

4.3 Each Shareholder has the full power and authority to execute, deliver and perform its respective obligations under this Amendment and all other documents referred to herein to which they are parties.

4.4 Each Shareholder is a corporation, duly formed, validly existing and in good standing under the laws of Antigua and each has the full power and authority to enter into this Amendment and to carry out the transactions contemplated to be carried out by each Shareholder hereunder. The parties signing this Amendment on behalf of each Shareholder have full power and authority to do so. All necessary consents, approvals, resolutions and other actions have been taken to duly authorize the execution and delivery of this Amendment and the performance by each Shareholder of the covenants and obligations to be performed and carried out by each Shareholder hereunder.

4.5 Each Shareholder is the legal, record, and beneficial owner of, and has good and marketable title to, their respective Pledged Shares, free and clear of all security interests, liens, claims, charges, or other encumbrances, except the security interest contemplated by this Amendment, and no financing statement covering the Pledged Shares is filed or recorded in any public office.

4.6 The security interest in the Pledged Shares granted to the Company constitutes, and hereafter will constitute, a security interest of first priority in favor of the Company.

4.7 There are no attachments, levies, executions, assignments for the benefit of creditors, receiverships, conservatorships or voluntary or involuntary proceedings in bankruptcy or pursuant to any other debt or relief laws contemplated by either Shareholder or any of the officers, directors or shareholders of either Shareholder, as applicable, or to the best of either Shareholder's knowledge after due inquiry, currently pending in any judicial or administrative proceeding against either Shareholder or any one or more of the officers, directors or shareholders of either Shareholder, as applicable.

4.8 Each Shareholder has full power and authority to own its properties and to carry on its business as now being conducted.

4.9 The liens, security interests and assignments created by this Amendment and the Second Amendment will be or are, as applicable, valid, effective, properly perfected and enforceable liens, security interests and assignments.

4.10 Each Shareholder will make all payments of interest and principal on the Advances and will keep and comply with all terms, covenants, conditions and provisions of this Amendment.

4.11 Each Shareholder will execute and deliver such additional documents and do such other acts as Company may reasonably require in connection with this Amendment.

4.12 Each Shareholder will execute and deliver to Company, from time to time as requested by Company, such other documents as will be necessary to provide the rights and remedies to Company granted or provided for in this Amendment.

4.13 Each Shareholder will notify Company of the commencement of any action, suit or proceeding: (i) against either Shareholder or (ii) involving the validity or enforceability of this Amendment or the other documents or agreements referred to herein or the priority of the liens and/or security interests created hereby, within 24 hours following each Shareholder's receipt of notice of any of the foregoing.

4.14 The Company may, but will not be obligated to, commence, appear in, or defend any action or proceeding purporting to affect an Advance or the respective rights and obligations of Company and each Shareholder under this Amendment. The Company may, but will not be obligated to, pay all necessary expenses, including reasonable attorney's fees and expenses incurred in connection with such proceedings or actions, which each Shareholder agrees to repay to Company upon demand, together with interest from the date such funds are advanced until full repayment thereof.

4.15 Neither Shareholder will assign or transfer any interest under this Amendment without the prior written consent of Company, and any such purported assignment will be an Event of Shareholder Default hereunder and will be void, except that each of the Shareholders may assign any of the Certificates in accordance with Section 1.1.2.

ARTICLE 5

REPRESENTATIONS, WARRANTIES AND COVENANTS OF COMPANY

Knowing that the Shareholders will be relying on the following representations, warranties and covenants of the Company as an inducement to execute this Amendment, the Company hereby represents, warrants and covenants to the Shareholders as follows:

5.1 There are no actions, suits, or proceedings pending or, to the best of the Company's knowledge after due diligence, threatened in any court or before or by any governmental authority that materially and adversely affects the Company's ability to pay and perform the Company's obligations under this Amendment or that involve the validity, enforceability, or priority of this Amendment.

5.2 This Amendment, and all other documents referred to herein to which the Company is a party, constitute valid and binding obligations of the Company enforceable in accordance with their terms. The consummation of the transactions contemplated hereby and the performance of any of the terms and conditions hereof will not result in a breach of or constitute a default under any mortgage, deed of trust, promissory note, loan agreement, credit agreement, or any other agreement to which the Company is a party or by which the Company may be bound.

5.3 The Company has the full power and authority to execute, deliver and perform its obligations under this Amendment and all other documents referred to herein to which it is a party.

5.4 The Company is a corporation, duly formed, validly existing and in good standing under the laws of Nevada and it has the full power and authority to enter into this Amendment and to carry out the transactions contemplated to be carried out by the Company hereunder. The person signing this Amendment on behalf of the Company has full power and authority to do so. All necessary consents, approvals, resolutions and other actions have been taken to duly authorize the execution and delivery of this Amendment and the performance by the Company of the covenants and obligations to be performed and carried out by the Company hereunder.

5.5 There are no attachments, levies, executions, assignments for the benefit of creditors, receiverships, conservatorships or voluntary or involuntary proceedings in bankruptcy or pursuant to any other debt or relief laws contemplated by the Company or any of the officers or directors of the Company, as applicable, or to the best of the Company's knowledge after due inquiry, currently pending in any judicial or administrative proceeding against Company or any one or more of the officers or directors of the Company, as applicable.

5.6 The Company has full power and authority to own its properties and to carry on its business as now being conducted.

5.7 The Company will make all Advances and Permissible Dividend payments and will comply with all terms, covenants, conditions and provisions of this Amendment.

5.8 The Company will execute and deliver such additional documents and do such other acts as the Shareholders may reasonably require in connection with this Amendment.

5.9 The Company will execute and deliver to the Shareholders, from time to time as requested by the Shareholders, such other documents as will be necessary to provide the rights and remedies to the Shareholders granted or provided for in this Amendment.

5.10 The Company will notify Shareholders of the commencement of any action, suit or proceeding: (i) against the Company or (ii) involving the validity or enforceability of this Amendment or the other documents or agreements referred to herein within 24 hours following the Company's receipt of notice of any of the foregoing.

5.11 The Shareholders may, but will not be obligated to, commence, appear in, or defend any action or proceeding purporting to affect the respective rights and obligations of Company and each Shareholder under this Amendment. The Shareholders may, but will not be obligated to, pay all necessary expenses, including reasonable attorney's fees and expenses incurred in connection with such proceedings or actions, which the Company agrees to repay to the Shareholders upon demand, together with interest from the date such funds are advanced until full repayment thereof.

5.13 The Company will not assign or transfer any interest under this Amendment, other than to a wholly-owned subsidiary, without the prior written consent of the Shareholders, and any such purported assignment will be an Event of Company Default hereunder and will be void.

ARTICLE 6

GENERAL TERMS AND CONDITIONS

6.1 ENTIRE AGREEMENT. This Amendment, together with the exhibits attached hereto and the Certificates executed pursuant to this Amendment, is intended by the Parties as a final expression of their agreement with respect to the matters covered hereby and is intended as a complete and exclusive statement of the terms and conditions thereof and supersedes all prior representations,

warranties, agreements, arrangements, understandings and negotiations with respect to the subject matter hereof.

6.2 NOTICES. All notices, demands, requests, and other communications required or permitted hereunder will be in writing and will be delivered by hand, telegram, facsimile or deposited with the United States Postal Service postage prepaid, registered or certified mail, return receipt requested, or delivered by courier or personal delivery addressed as follows:

If to Company:

YP.Net, Inc.
4840 East Jasmine Street, Suite 105
Mesa, Arizona 85205-3321
Facsimile: 480-860-0800
Telephone: 480-654-9646

with a copy to:

Daniel M. Mahoney, Esq.
Rogers & Theobald L.L.P.
2425 East Camelback Road, Suite 850
Phoenix, Arizona 85016
Facsimile: 602-852-5570
Telephone: 602-852-5567

If to Shareholders:

Morris & Miller, Ltd.
Woods Centre
St. John's, Antigua, W.I.

And:

Mathew and Markson, Ltd.
Woods Centre
St. John's, Antigua, W.I.

with a copy to:

James J. Trimble, Esq.
Fennemore Craig
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2391
Facsimile: (602) 916-5305
Telephone: (602) 916-5305

All notices sent within the United States shall be deemed delivered two business days after deposit with the United States Postal Service, or if delivered by facsimile, telegram, courier or by personal delivery, then notice is deemed delivered upon the date and time of actual receipt or refusal of delivery by the representative's agents and employees of the each Shareholder. All notices sent outside of the United States shall be deemed delivered 15 business days after deposit with the United States Postal Service, or if delivered by facsimile, telegram, courier or by personal delivery, then notice is deemed delivered upon the date and time of actual receipt or refusal of delivery by the representative's agents and employees of the each Shareholder. Any party may designate a different address or person to whom such notices should be sent by giving notice thereof as provided herein, which change of address will be effective upon receipt.

6.3 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of each Shareholder contained in this Amendment will survive the execution and

delivery of this Amendment, and will continue until the obligations of each Shareholder on the Advances under this Amendment have been satisfied in full. The representations and warranties of the Company contained in this Amendment

will survive the execution and delivery of this Amendment, and will continue until the obligations of the Company under this Amendment have been satisfied in full.

6.4 AMENDMENTS; MODIFICATIONS. No provision of this Amendment may be amended or modified, except by instrument in writing executed by the party against whom such amendment or modification is sought to be enforced.

6.5 NO WAIVER AND STANDARD FOR CONSENTS.

6.5.1 No waiver by Company of any of Company's rights or remedies under this Amendment or otherwise will be considered a waiver of any other or subsequent right or remedy of Company; no delay or omission in the exercise or enforcement by Company of any rights or remedies will be construed as a waiver of any other right or remedy of Company; and, to the extent permitted by applicable law, no exercise or enforcement of any such rights or remedies will be held to exhaust any right or remedy of Company.

6.5.2 No waiver by a Shareholder of any of the Shareholder's rights or remedies under this Amendment or otherwise will be considered a waiver of any other or subsequent right or remedy of the Shareholder; no delay or omission in the exercise or enforcement by a Shareholder of any rights or remedies will be construed as a waiver of any other right or remedy of the Shareholder; and, to the extent permitted by applicable law, no exercise or enforcement of any such rights or remedies will be held to exhaust any right or remedy of a Shareholder.

6.5.3 Any provision of this Amendment to the contrary notwithstanding, if Company's consent or approval is required or sought by either Shareholder, Company will be entitled to give or withhold Company's consent or approval as Company, in Company's sole discretion, may determine.

6.5.4 Any provision of this Amendment to the contrary notwithstanding, if a Shareholder's consent or approval is required or sought by the Company, the Shareholder will be entitled to give or withhold the Shareholder's consent or approval as the Shareholder, in the Shareholder's sole discretion, may determine.

6.6 CONTROLLING AGREEMENT. In the event of any conflict between this Amendment and any other agreement or document, this Amendment will govern and control.

6.7 NO THIRD PARTY BENEFICIARY. This Amendment is for the sole benefit of Company and each Shareholder and is not for the benefit of any third party, except that the assignee of any Certificate may enforce its rights under the Certificate directly against the Company.

6.8 NUMBER AND GENDER. Whenever used herein, the singular number will include the plural and the singular, and the use of any gender will be applicable to all genders, unless the context requires otherwise.

6.9 CAPTIONS. The captions and headings used in this Amendment are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof or thereof.

6.10 GOVERNING LAW/JURISDICTION/VENUE/WAIVER OF JURY TRIAL. This Amendment and the Advances will be governed by and construed in accordance with the laws of the State of Arizona, without giving effect to conflict of laws principles. In regard to any litigation that may arise in regard to this Amendment, the Parties will and do hereby submit to the jurisdiction of and the Parties hereby agree that the proper venue will be in the United States District Court for the District of Arizona in Phoenix or in the Superior Court of Arizona in Maricopa County, Arizona. To the extent permitted by law, each of the Parties hereby waives the right to a jury trial.

6.11 TIME OF THE ESSENCE. Time is of the essence with respect to each and every term and condition of this Amendment.

6.12 ATTORNEYS' FEES. If any party breaches its representations or warranties under this Amendment or fails to fulfill or perform any of its covenants or obligations in this Amendment, that party will pay all costs,

including without limitation, reasonable attorneys' fees and expert witness fees, that may be incurred by other parties to enforce the terms, covenants, conditions and provisions of this Amendment, or that may be incurred as a result of the default under or breach of this Amendment, whether or not legal action is commenced.

6.13 COUNTERPARTS. This Amendment may be executed in counterparts and by facsimile, each of which will be deemed an original, and all of which together will be deemed one and the same document.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Amendment is executed and delivered as of the Effective Date by the Parties.

YP.NET, INC.

By:/S/ DeVal Johnson

DeVal Johnson
Secretary, Director

MORRIS & MILLER, LTD.

By:/S/ Ilse Cooper

AMT, Director

MATHEW AND MARKSON, LTD.

By:/S/ Ilse Cooper

AMT, Director

[SIGNATURE PAGE TO AMENDMENT NO. 3]

EXHIBIT

CERTIFICATE OF GUARANTY

EXHIBIT B

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers _____ shares of the common stock of YP.NET, INC., a Nevada corporation (the "Company"), to YP.NET, INC., which shares are represented by Certificate No. _____, standing in the name of the undersigned on the books of the Company. The undersigned hereby irrevocably constitutes and appoints _____ as its attorney to transfer said stock on the books of the Company with full power of substitution in the premises.

Dated: _____

[MORRIS & MILLER/MATHEW AND MARKSON], LTD., an Antiguan corporation

By: _____
Its:_____

EXHIBIT C

NEVADA REVISED STATUTES SEC.78.288

NRS 78.288 DISTRIBUTIONS TO STOCKHOLDERS.

1. Except as otherwise provided in subsection 2 and the articles of incorporation, a board of directors may authorize and the corporation may make distributions to its stockholders, including distributions on shares that are partially paid.

2. No distribution may be made if, after giving it effect:

(a) The corporation would not be able to pay its debts as they become due in the usual course of business; or

(b) Except as otherwise specifically allowed by the articles of incorporation, the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution.

3. The board of directors may base a determination that a distribution is not prohibited pursuant to subsection 2 on:

(a) Financial statements prepared on the basis of accounting practices that are reasonable in the circumstances;

(b) A fair valuation, including, but not limited to, unrealized appreciation and depreciation; or

(c) Any other method that is reasonable in the circumstances.

4. The effect of a distribution pursuant to subsection 2 must be measured:

(a) In the case of a distribution by purchase, redemption or other acquisition of the corporation's shares, as of the earlier of:

(1) The date money or other property is transferred or debt incurred by the corporation; or

(2) The date upon which the stockholder ceases to be a stockholder with respect to the acquired shares.

(b) In the case of any other distribution of indebtedness, as of the date the indebtedness is distributed.

(c) In all other cases, as of:

(1) The date the distribution is authorized if the payment occurs within 120 days after the date of authorization; or

(2) The date the payment is made if it occurs more than 120 days after the date of authorization.

5. A corporation's indebtedness to a stockholder incurred by reason of a distribution made in accordance with this section is at parity with the corporation's indebtedness to its general unsecured creditors except to the extent subordinated by agreement.

6. Indebtedness of a corporation, including indebtedness issued as a distribution, is not considered a liability for purposes of determinations pursuant to subsection 2 if its terms provide that payment of principal and interest are made only if and to the extent that payment of a distribution to stockholders could then be made pursuant to this section. If the indebtedness is issued as a distribution, each payment of principal or interest must be treated as a distribution, the effect of which must be measured on the date the payment is actually made.

(Added to NRS by 1991, 1187; A 2001, 1369, 3199)
---- ----

NRS 78.300 LIABILITY OF DIRECTORS FOR UNLAWFUL DISTRIBUTIONS.

1. The directors of a corporation shall not make distributions to stockholders except as provided by this chapter.

2. Except as otherwise provided in subsection 3 and NRS 78.138, in case
----
of any violation of the provisions of this section, the directors under whose administration the violation occurred are jointly and severally liable, at any time within 3 years after each violation, to the corporation, and, in the event of its dissolution or insolvency, to its creditors at the time of the violation, or any of them, to the lesser of the full amount of the distribution made or of any loss sustained by the corporation by reason of the distribution to stockholders.

3. The liability imposed pursuant to subsection 2 does not apply to a

director who caused his dissent to be entered upon the minutes of the meeting of the directors at the time the action was taken or who was not present at the meeting and caused his dissent to be entered on learning of the action.

[75:177:1925; A 1931, 415; 1949, 158; 1943 NCL Sec. 1674]–(NRS A 1987, 83; 1991, 1229; 2001, 3174)

Exhibit 10.11

EXCLUSIVE LICENSING AGREEMENT

This EXCLUSIVE LICENSING AGREEMENT ("License") is entered into on this 21st day of September, 1998 by and between MATHEW & MARKSON, LTD., ("M&M") and TELCO BILLING, INC ("TBF"), a Nevada corporation.

RECITALS

A. M&M is the sole and exclusive owner of the intellectual property rights to the name "YELLOW-PAGE.NET" including the name, the trade name, trademark, and the URL www.yellow-page.net (hereafter, "Name") and wishes to establish a royalty agreement to permit utilization of the Name.

A. TBI has the contacts, connections and contractual arrangements to place information on the internet, and seeks to utilize the intellectual property rights owned by M&M as its exclusive licensee under the terms and conditions of this License, granting such sub licenses as may be necessary to achieve the business goals of the parties, and agrees to the terms and conditions stated herein.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants between the parties, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. GRANT OF EXCLUSIVE LICENSE.

M&M hereby grants an exclusive and worldwide license to TBI to use, market, and sublicense the Name both as the means of identifying a product and/or service as well as a means of soliciting business. In such utilization, TBI discloses, and M&M specifically consents to marketing same by means of sales and marketing agreements to sub licensees as TBI may in its sole discretion deem necessary for the generation of royalties.

2. COMPENSATION.

TBI agrees to pay M&M the sum of $400,000 on each anniversary date of this License for the following twenty (20) years. In the event that TBI should undergo a change of control or ownership in excess of 50% of the issued and outstanding common stock of TBI, all outstanding royalty payments shall become immediately due and payable. All payments are net M&M's Antigua or other M&M appointed bank account(s). Any and all taxes that may be or become due shall be solely paid by TBI and not deducted from the amount due M&M.

3. TERM OF LICENSE.

The term of this License (the "Term") shall be for twenty (20) years, except that this

License may be terminated for cause if TBI or any of its agents or independent contractors engages in any activities which causes any civil or criminal investigation, allegation or action for fraud, misrepresentation, or the violation of any rule, statute, or procedure.

4. DEFINED SCOPE OF AGREEMENT.

This License is not for a joint venture, partnership, or any combined work effort or benefit. This is strictly an agreement for payment of royalties for generation of income, and TBI shall not be an employee, agent or independent contractor for or on behalf of M&M.

5. WARRANTIES AND COVENANTS.

TBI is solely responsible for its means, methods, and mechanisms (hereafter, "Techniques") for marketing; as such, TBI assumes all liability for its sales efforts, techniques, tools, marketing strategies, scripts for solicitations, and any other means utilized. TBI covenants, warranties and agrees to hold M&M and its successors and assigns harmless, indemnify, and defend against any complaints by any individual or entity that arises. TBI assures M&M that all Techniques shall be reviewed and signed off by a attorney, thereby issuing an opinion that said Techniques are lawful.

6. INDEMNIFICATION. HOLD HARMLESS. AND DEFENSE.

TBI hereby indemnifies and agrees to hold harmless M&M, and its beneficiaries, officers, directors, shareholders, employees, attorneys, representatives, agents and affiliates (each an "Indemnified Person") from and against any and all liabilities, obligations, claims, demands, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature (collectively, the "Claims") which may be imposed on; incurred by, or asserted against, any Indemnified Person arising in connection with the name or marketing thereof. In addition, TBI agrees to defend M&M and its successors and assigns against any such claims that may arise. Without limitation, the foregoing indemnities shall apply to each Indemnified Person with respect to any claims which in whole or in part are caused by or arise out of the negligence of such Indemnified Person, except to the limited extent the Claims against an Indemnified Person are proximately caused by such Indemnified Person's gross negligence or willful misconduct. If TBI or any third party ever alleges such gross negligence or willful misconduct by any Indemnified Person, the indemnification provided for in this Section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. The indemnification provided for in this Section shall survive the termination of this License and shall extend and continue to benefit each individual or entity who is or has at any time been an Indemnified Person hereunder.

7. ASSIGNABILITY.

M&M may assign its rights to receive royalties under this License without consent of

TBI. TBI agrees to place all sublicense's on notice of M&M's rights, royalty claims, and legal requirements. TBI may upon payment of assignment fee, assign this License with the written consent of M&M, which shall not be unreasonably withheld. Assignment fee shall be 20% of the gross amount already paid to M&M by assignor.

8. COUNTERPARTS AND FAX COPY.

This License may be signed or executed in one or more counterparts, each of which shall be an original, but all of which collectively shall constitute one entire agreement. A facsimile (FAX) copy of this License shall have the same force and effect as the original, and may be signed and faxed to the other party for confirmation. Delivery of an executed counterpart of this License by fax shall be equally effective as delivery of a manually executed counterpart.

9. MISCELLANEOUS.

A. The parties agree that this License shall be governed under the laws of the Antigua and Barbuda, and in the event of any dispute arising hereunder, jurisdiction and venue shall be Antigua, W.I

A. In the event of any dispute under this License wherein this matter is brought to court, the prevailing party shall be entitled to their costs and attorney's fees as reasonably incurred by them in the enforcement of this License.

A. The provisions of this License shall inure to the benefit of and

shall be binding upon the respective heirs, personal, representatives, successors and assigns of the parties.

A. The provisions of this License are severable, and if court finds one provision unenforceable, the remaining provisions of the agreement shall remain in full force and effect.

10. NOTICE.

All notices, requests, demands, or other communications required or permitted to be given under this License ("Notice") shall be addressed to the parties at the following addresses:

TBI:

Telco Billing, Inc.
9420 E. Doubletree, C-102
Scottsdale, AZ 85258

M&M:

Mathew and Markson, LTD.
Woods Centre, Friars Hill Road, #1407

St. John's, Antigua, W.L

FAX numbers arid e-mail addresses may be provided as a means of rapid communication, and the parties are encouraged to utilize the entire realm of communications available as technology advances. However, for the purpose of legal notice under this document. Notice shall be sent by Certified or Registered Mail, Return Receipt Requested, or by commercial messenger service, or by physical placement of item in the parties mail box and/or on their desk or chair, all .fees paid by send. Notice shall be deemed complete once the item is delivered or out of the senders immediate control. The parties shall have the right to change its address for notice hereunder to any other location within the continental United States by Notice to the other party of such new address at least thirty (30) days before the effective date of such new address.

11. ENTIRE AGREEMENT.

This License constitutes the entire agreement between the parties pertaining to the subject matter contained in this License. All prior and contemporaneous agreements, representations, and understandings, written or oral, are superseded by and merged in this License. No modification or amendment of this License shall be binding unless in writing and executed by both parties.

IN WITNESS WHEREOF, the parties have signed on the date first-written above.

TELCO BILLING, INC.

/s/ Joseph Carlson 9-21-98
- ----------
By: Joseph Carlson, President

Mathew and Markson. LTD.

/s/ William W. Cooper 9-21-98
- ----------
By: William W. Cooper

Exhibit 10.29

INTER-TEL
LEASING, INC.

Total Lease Program
Lease Agreement

LEASE NUMBER	INTER-TEL ACCOUNT NO.
118440	

RENT COMMENCEMENT DATE: 05/01/02

SCHEDULE OF PAYMENTS

36 MONTHLY PAYMENTS OF $3,040.58
(applicable taxes to be billed)

EXCEPT AS OTHERWISE INDICATED BELOW:

[_] QUARTERLY

[_] OTHER _____

_____ PAYMENTS OF $ _____
(applicable taxes to be billed)

PAYABLE AT SIGNING OF THE LEASE (check one)

[_] SECURITY DEPOSIT PER PARAGRAPH 5 $ _____
[_] FIRST _____ TOTAL PAYMENT $ _____
[_] OTHER _____

BRANCH OFFICE ADDRESS:
4909 E. McDowell Rd. Ste 106

CITY	COUNTY
Phoenix	Maricopa
STATE	ZIP
Arizona	85008

LOCATION OF EQUIPMENT IF OTHER THAN BELOW:

CITY	COUNTY
STATE	ZIP

EQUIPMENT DESCRIPTION:
STATED ON ATTACHED SCHEDULE 1

Dear Lessee: We have written this lease in plain language because we want you to fully understand its terms. Please read your copy of this lease carefully and feel free to ask us any questions you may have about it. We use the worlds you and your to mean the lessee indicated below. The words we, us and our refer to the lessor indicated below. The words the Branch refer to the branch office of Inter-Tel Communications, Inc. or Inter-Tel DataCom, Inc. or InterTel Technologies, Inc. with which you have entered into a separate agreement to install and maintain the equipment you are leasing. The words branch agreement refer to the agreement between you and the Branch for the installation, maintenance and warranty of the equipment.

1. LEASE AGREEMENT: You agree to lease from us and we agree to lease to you the equipment listed above, which you agree will be used for business purposes only. You promise to pay us the sum of all of the rental payments indicated on the schedule above and/or attached, which sun can be calculated by multiplying the number of payments times the payment amount indicated on the schedule(s). You may request, from time to time, that additional equipment added will become a part of this agreement and also agree to pay the additional rental payments due.

2. ORDERING EQUIPMENT: You request that we arrange delivery of the equipment to you by the Branch. If the equipment has not been delivered, installed, and accepted by you within forty-five (45) days from the date that we ordered the equipment, we may on ten (10) days written notice to you terminate the lease and our obligations to you. In the event that we have issued a purchase contract or order for the equipment, you agree that the purchase order or contract is acceptable to you. If you have entered into a purchase contract for the equipment, you agree to assign it to us, effective when we pay for the equipment.

3. NO WARRANTIES: WE ARE LEASING THE EQUIPMENT TO US "AS IS". WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR ORDINARY USE IN CONNECTION WITH THIS LEASE. If the branch or anyone else has made a representation or warranty to you as to the equipment or any other matter, you agree that any such representation or warranty shall not be binding on us, nor shall the breach of such relieve you of, or in any way affect, any of your obligations to us under this lease. If the equipment is not satisfactory for any reason, you shall make your claim only against the Branch and you shall nevertheless pay us all rent payable under this lease. So long as you are not in default under any of the terms of this lease, we transfer to you any warranties made to us by the Branch, manufacturer or supplier. You understand and agree that only an authorized officer of Inter-Tel Leasing, Inc. is authorized to waive or change any term or condition of this lease and no change is valid until and unless it is reduced to writing and signed by both parties. YOU AGREE THAT, REGARDLESS OF CAUSE, YOU WILL NOT ASSERT ANY CLAIM WHATSOEVER AGAINST US FOR LOSS OF PROFITS YOU EXPECTED TO MAKE OR ANY OTHER DIRECT, SPECIAL OR INDIRECT DAMAGES. You acknowledge that we shall not be responsible for any service, repairs, or maintenance or service provided by the Branch. We are not a party to the Branch Agreement or any other agreements between you and the Branch, and even if you have a dispute regarding any maintenance or service provided by the Branch, you will continue to pay us all payments due under this lease and all schedules to this lease. We agree to use our best efforts, on your behalf, to cause the Branch to perform its obligations under the Branch Agreement.

4. NON-CANCELLABLE LEASE: Except as provided by the upgrade provision contained in the Branch Agreement, this lease cannot be cancelled.

SEE REVERSE SIDE FOR ADDITIONAL TERMS AND CONDITIONS WHICH ARE PART OF THIS LEASE

ACCEPTED: INTER-TEL LEASING, INC. LESSOR
1140 WEST LOOP NORTH, HOUSTON, TEXAS 77055-7218

BY: /s/ Susan Otto, VP DATE: 5-17-02

DELIVERY AND ACCEPTANCE OF EQUIPMENT

I HEREBY CERTIFY ON BEHALF OF THE LESSEE THAT ALL OF THE EQUIPMENT TO BE LEASED HAS BEEN DELIVERED AND INSTALLED. THE INSTALLATION AND ALL OTHER WORK NECESSARY FOR THE EQUIPMENT'S USE HAS BEEN SATISFACTORILY COMPLETED. THE DELIVERY DATE IS THE DATE THIS ACCEPTANCE IS SIGNED.

Signature X /s/ Carl Puerschner Date: 4-19-02

Print Name: Carl Puerschner Time: DOT.

LESSEE (FULL LEGAL NAME)
YP. NET, INC

4840 E. Jasmine St. Suite 105 Attn: Acctng

BILLING ADDRESS

Mesa	Maricopa	AZ	85205
CITY	COUNTY	STATE	ZIP

PHONE NO. (480) 860-0011 DATED 02/12/02

(THE UNDERSIGNED CERTIFIES THAT THE EQUIPMENT SHALL BE USED FOR BUSINESS PURPOSES AND AGREES THAT NO MODIFACTION TO THE LEASE WILL BE EFFECTIVE UNLESS MADE IN WRITING AND SIGNED BY BOTH PARTIES.

BY X /s/ Pamela Thompson

Print Name Pamela Thompson, CFO, Sec CFO

PERSONAL GUARANTY

I guarantee that the lessee will make all payments and pay all the other charges required under this lease when they are due and will perform all other obligations under this lease fully and promptly. I also agree that you may make other arrangements with the lessee and I will still be responsible for those payments and other obligations. You do not have to notify me if the lessee fails to meet all of the obligations under the lease. If lessee fails to meet all of its obligations, I will immediately pay in accordance with the default provisions of the lease all sums due under the original terms of the lease and will perform all other obligations of lessee under the lease. I will reimburse you for all the expenses you incur in enforcing any of your rights against the lessee or me, including attorney fees. If this a corporate guaranty, it is authorized by the Board of Directors of the guaranteeing corporation. If this is a partnership guaranty, it is authorized under the partnership agreement. THIS GUARANTY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS. I AGREE AND CONSENT THAT THE COURT OF THE STATE OF TEXAS, HARRIS COUNTY OR ANY FEDERAL DISTRICT COURT HAVING JURISDICTION IN THAT COUNTY SHALL HAVE JURISDICTION AND SHALL BE PROPER LOCATION FOR THE DETERMINATION OF DISPUTES ARISING UNDER THIS LEASE. I agree and consent that you may serve me by registered or certified mail, which will be sufficient to obtain jurisdiction. I waive trial by jury in any action between us.

X

PERSONAL GUARANTOR SIGNATURE	PRINT NAME	SOCIAL SECURITY NUMBER	DATED

X

PERSONAL GUARANTOR SIGNATURE	PRINT NAME	SOCIAL SECURITY NUMBER	DATED

INTER-CEL
TECHOLOGIES, INC.

SCHEDULE 1
EQUIPMENT ITEMIZATION and SYSTEM FEATURES FOR
YP.net

PBX EQUIPMENT CABINET SYSTEM

1	AXXESS 256 NT-CPU Desktop PBX
1	AXXESS Expansion Cabinet
1	Voice Mail 8 Ports - NT Platform (150 Hours Storage)
1	OPC Card
1	DSP PAL

TERMINALS:

10	Executive Digital Telephone with 6 lines x 16 character Display
10	Standard Digital Telephone with 2 lines x 16 character Display
40	Basic Digital Keysets
2	Busy Lamp Field/DSS
2	PCDPM (for DSS/BLF)
3	INT2000 Cordless Phones

STATION CARDS:

4	DKSC- 16 Port Digital Station Card (equipped for 64 digital phones)

	1	SLC- 16 Ports, AC Ring (for Oaisys application)
	1	Power Supply for SLC-16

TRUNK/LINE CARDS:

	3	AXXESS T1/PRI Card with CSU, 2 DTMP Senders & Cable
	2	AXXESS T1 Card with CSU, 2 DTMF Senders and Cable
	1	AXXESS 4 Port Loop Start CO Card
	1	AXXESS 4 Port Daughter CO Card

SOFTWARE:

	1	AXXESS 5.3 100-Unit Standalone Software Key

TASKE ACD CAL REPORTING:

	1	TASKE Mitel to Inter-Tel Path**
	1	Additional Supervisor Client

INTER-CEL
TECHOLOGIES, INC.

SCREEN POP APPLICATIONS (OASYS):

	1	OAISYS Net Server Software
	25	NetPhone
	1	Auto Call Record
	1	Call-Router, System Level
	1	Database Assistant
	12	Voice Assistant Software
	3	4 Port Analog Voice Card
	1	OAISYS 2000 Server (Base server - all options extra)

OTHER:

	1	Music-On-Hold Hook-up
	1	Desktop OAIC Developers Toolkit
	1	Reader Board for ACD 2 lines x 54 characters
	1	150 foot/50 pair feeder cable
	1	Prewire for reader board
	Lot	Installation & Training
	1	Yr Parts & Labor Warranty

TOTAL SYSTEM PRICE: $109,890.55

TOTAL SALE PRICE: $ 83,500.00**

* Price include Qwest Local Service w/2 Free Rental T1 cards
** Upgrading existing Mitel TASKE to Inter-Tel version

Inter-Tel Technologies, Inc	YP.net
/s/ Suzette Chezman	/s/ Angelo Tullo
- ----------	----------
Signature	Signature
2/4/02	2/4/02
- ----------	----------
Date	Date

SCHEDULE II
To Branch Agreement for
Installation, maintenance and warranty of equipment

AXXESS (36 MONTHS)

This Schedule 2 more particularly identifies the Customer's options relating to Add-On Equipment Rates, Renewal Options, Upgrade Capability, and Transfer Cost for System Relocation once signed by the Customer becomes a part of the Agreement between YP.net Inc and the branch.
---

1. Add-On Equipment Rates

   A. The following listed equipment can be added at any time during the term of the Agreement at the following rates and as long as

such additions are within the system's capabilities.

<TABLE>
<CAPTION>

EQUIPMENT	DESCRIPTION	MONTHLY RATES
<S>	<C>	<C>
550.2200	DKSC - 8	27.40
550.2250	DKSC -16	57.51
550.2300	LSC	26.98
550.2301	LSC Daughter Card	21.52
550.3018	Inter-Tel PCDPM Card	14,44
550.3015	Axxess MDPM Card	15.85
550.4400	Std. Digital Green/Red LED	26.93
550.4500	Executive Digital Gr/Red LED	33.66
550.4200	DBS	28.66
520.4300	Basic Digital Green/Red LED	22.00
550.2208	Analog Keyset Card	60.62
550.2101	Single-Line Cart (SLC8)	60.62
550.2116	Single-Line Card (SLC16)	104.67
550.2309	LGC Card	42.52
550.2310	LGC Daughter Card	35.03
770.4500	IP Phone	44.21
770.2260	IPC Card	90.12
550.2220	ISDN Basic Rate Station Interface	83.35
550.2230	ISDN Basic Rate U Interface Card	126.84
550.2740	ISDN T-1/ E-1 PRI	122 01
827.8877	ISDN PRI PAL	59.19
	CPU MIGRATION PRICING FOR CPU EXPANSIONS	
550.2015	64 to 128 CPU**	75.59
650.9037	123 to 256 CPU**	133 81
BOTH PARTS BELOW REQUIRED	256 to 512"-includes both parts	236.92
>>550.2026	>>PCM-F Card for 256 to 512	
>>550.9036	>>CPU Slave	
**Hardware only: Software, memory or new Pal (if needed) not included.		
	SOFTWARE UPGRADE	
	Fixed Software Upgrade	15.00

</TABLE>

B. There will be no additional charges for installation if the equipment is added to the present office location. Any detached locations will be priced with additional labor and material charges in effect at the time of such installation.

C. The Customer agrees that Add-On Equipment orders are subject to credit approval, and the Customer cannot be in default of this Agreement or the Lease Agreement.

II. Renewal Options

A. The Customer has the option to renew this Agreement for an additional term of three (3) years which period of time shall be defined as the Renewal Option Term.

B. The monthly rental price for the Renewal Option Term shall be equal to fifty percent (50%) of the rental rate in effect at the time of the renewal including supplements.

C. The Maintenance and Warranty provisions contained in this Agreement shall continue in full force and effect during the Renewal Option Term.

D. The Add-On Equipment Rates as specified in Article I hereof shall be applicable for the duration of the Renewal Option Term.

III. Upgrade Capability

The Customer is hereby granted the option to upgrade its system with Inter-Tel with no financial penalties or cancellation charges.

Inter-Tel guarantees that the upgraded system rates will be the same as offered to other customers with the same system. In order to qualify, the Customer hereby agrees to the following provisions:

A. At least twenty-four (24) payments shall have been received by Inter-Tel on this Agreement.
B. The central operating unit and substantially all of the station equipment of the current system must be replaced and/or upgraded with either (1) a larger capacity unit, or (2) and equal or larger capacity unit relative to a newer technology providing additional features and capabilities. In either event, the number of installed telephones or phone lines must be equal or greater than the current system.
C. The Customer cannot be in default on this Agreement, and the upgrade is subject to credit approval.

IV. Transfer Cost for System Relocation

The Customer is hereby granted the right to have Inter-Tel perform the labor of relocating the system at a thirty percent (30%) discount of the standard published rate of Inter-Tel in effect at the time of relocation of the system.

/s/ Pamela Thompson

Signature by Customer for Identification
Pamela Thompson CFO

EXHIBIT 10.30

PRIVATE LABEL WEB SITE AND CROSS PROMOTION AGREEMENT

This PRIVATE LABEL WEB SITE AND CROSS PROMOTION AGREEMENT ("Agreement"), by and between YP.Net, Inc, a Nevada corporation, with a principal place of business located at 4840 East Jasmine Street, STE 105, Mesa, AZ 85205 ("YP.NET"), and ClientCare Inc., a Arizona corporation with a principal place of business located at 3546 E, Caballero Street Mesa, Arizona 65213 ("CLIENTCARE INC"), is effective as of _2-20_, 2002 (the "EFFECTIVE DATE").

RECITALS

WHEREAS, YP.Net owns and operates an Internet-based Web Site creation and hosting service currently known as "Ypsites.net," with a Home Page currently located at http://www.ypsites.net, which develops and hosts personalized web sites for small business owners ("YP.Net's Web Site").

WHEREAS, ClientCare Inc owns and operates a Web Site currently known as "ClientCare Inc." with a Home Page currently located at http://www.ezwsite.com which provides the tools and media that allow businesses the ability to contribute Intelligent Intuitive Information to the online information marketplace.

WHEREAS, the parties desire that YP.Net develop, host, and maintain a private label service to allow ClientCare Inc to resell YP.Net's Services to small business owners and to other web site operators for resale to their small business owners. Also, the parties desire to cross promote and sell the service offerings of both YP.Net and ClientCare Inc through the YP.Net Network.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the parties hereby agree as follows:

AGREEMENT

1. DEFINITIONS

"BRAND FEATURES" means any trademarks, service marks, logos, trade names or other identifying names or marks, which are proprietary to a party and which are used by that party to identify its business, products and/or services.

"CONFIDENTIAL INFORMATION" means any information, oral or written, disclosed by either party to the other pursuant to this Agreement except as excluded below. "Confidential Information" includes, without limitation, the terms and conditions of this Agreement, registration information, security measures, information relating to released or unreleased services, marketing or promotion of any service or product, business policies or practices, suppliers, customer base, customer information, ClientCare Inc Materials or information received from others that a party is obligated to treat as confidential. "Confidential Information" will not include information that; (i) is or becomes generally known or available by publication, commercial use or otherwise through no fault of the receiving party; (ii) is known and has been reduced to tangible farm by the receiving party at the time of disclosure and is not subject to restriction; (iii) is independently and rightfully developed or learned by the receiving party; (iv) is lawfully obtained from a third party that has the right to make such disclosure; or (v) is made generally available by the disclosing party without restriction on disclosure. This paragraph supersedes any other provision in this agreement.

"CLIENTCARE INC BRAND FEATURES" means any trademarks, service marks, logos, trade names or other identifying names or marks, which are proprietary to ClientCare Inc end which are used to identify its business, products and/or services.

"CLIENTCARE INC. MATERIALS" means any Information and materials provided by ClientCare Enc to YP.NET under this Agreement

"CLIENTCARE INC PRIVATE LABEL SERVICE" means a Private Label Service offered by ClientCare Inc to SBOs and to ClientCare Inc Tier 2 Associates (for

resale to their SBOs), which allows SBOs to create and maintain their own web sites.

"CLIENTCARE INC SBO" means a small business owner or other end user to whom ClientCare Inc sells the ClientCare Inc Private Label Service pursuant to this Agreement.

"CLIENTCARE INC TIER 2 ASSOCIATE" means a Tier 2 Associate to whom ClientCare Inc sells Private Label Services for resale to the Associate's SBOs.

"GROSS REVENUES" means the fees or other sums collected by YP.Net from the sale of ClientCare Inc Private Label Services pursuant to this Agreement, without deduction for Transaction Fees and applicable taxes.

"HOME PAGE" means the initial Web Page of a Web Site seen by a user once the user has directed web browsing technology to access the Web Site's URL.

"LINK" means an embedded icon, object, graphic or text within a Web Page that consists of a hypertext pointer to the URL address of a Web Page.

"NET REVENUES" means Gross Revenues collected by YP.Net from the sale of ClientCare Inc Private Label Services pursuant to this Agreement

"PARTNERS" means all Tier 1 Partners and Tier 2 Associates.

"PARTNER SERVICES" means the services offered by any Partners via the YP.Net Network, .but. excluding any services provided by YP.Net.

"PRIVATE LABEL SERVICE" means the web services offered by any Partners to SBOs through the YP.Net Network, which allow the SBOs to create and maintain their own web sites and which consist of (i) YP.Net Basic Services.

"SBOS" means those small business owners or other end users of any Private Label Service.

"Services" means the YP.Net Basic Services.

"SPECIFICATIONS" means the content and technical specifications for the ClientCare Inc Private Label Service attached hereto as Exhibit A, as such may be amended by mutual agreement of the parties from time to time.

"TIER 1 PARTNER" means the operator of a web site, to whom YP.Net has granted the right to offer a Private Label Service directly to SBOs and to Tier 2 Associates. ClientCare Inc is a Tier 1 Partner.

"TIER 2 ASSOCIATE" means the operator of a web site, to whom a Tier 1 Partner has granted the right to offer a Private Label Service to that website operator's own SBOs. However, a Tier 2 Associate cannot sell Services to either a Tier 1 Partner or other Tier 2 Associate.

"TRANSACTION FEE" means the actual amount of the credit card processing fee charged to YP.Net at the time of processing of any order placed through the YP.Net Network.

"MONTHLY SERVICE FEE" means the monthly cost of YP.Net's Basic Services to ClientCare Inc.

"USER INFORMATION" means both Aggregate Information and Personal Information pertaining lean SBO. "Aggregate Information" means information that describes the habits, usage patterns and/or demographics of SBOs as a group but does not identify any individual SBO by name nor provide information in a form which would enable the recipient of that information to identify the SBO. "PERSONAL INFORMATION" means information about and which identifies an individual SBO and which may include without limitation the SBO's (i) name, (ii) address, and (iii) data about a specific transaction that identifies the SBO involved.

"YP.NET BASIC SERVICES" means the web site development and hosting services as changed from time to time and offered on the YP.Net Web Site, which includes all services listed in Exhibit B.

"YP.NET CONTENT" means any articles or other editorial content provided by YP.Net under this Agreement and taken from the YP.Net Network.

"YP.NET NETWORK" means YP. Net's Web Site, private label Web Sites, and any other Web Sites that provide Services to SBOs.

"YP.NET SERVICES" means those services offered by YP.Net and consisting of the YP.Net Basic Services.

"WEB PAGE" means content in the World Wide Web portion of the Internet accessed via a single URL, and excluding content on other Web Pages accessed via Links in said content.

"WEB SITE" means a collection of Web Pages related in some manner and interconnected via Links, including all successor versions thereof that may evolve throughout the Term of this Agreement, regardless of whether or not marketed or promoted under the same name.

Other Terms. All other initially capitalized terms will have the meanings assigned to them in this Agreement, including its Exhibits.

2. CLIENTCARE INC PRIVATE LABEL SERVICE.

2.1 DEVELOPMENT AND MAINTENANCE. YP.Net will develop, operate, maintain, and host the ClientCare Inc Private Label Service in accordance with this Section 2 and the Specifications, The ClientCare Inc Private Label Service will provide ClientCare he's Tier 2 Associates and SBOs access to (i) the YP.Net Basic Services.

2.2 LAUNCH. The parties will cooperate in good faith to make the ClientCare Inc Private Label Service available to ClientCare Inc SBOs according to the schedule as set forth in the Specifications (the "Launch Date").

2.3 YP.NET BRANDING. The ClientCare Inc Private Label Service will be branded with a "Fueled by vista.com" logo as more specifically described in Exhibit A, which branding may be subject to periodic changes upon prior written notice by YP.Net to ClientCare Inc, and written approval by ClientCare Inc.

2.4 DOMAIN NAME. ClientCare Inc will be solely responsible for registering and maintaining as a domain name the URL, at which the ClientCare Inc Private Label Service will be located and which the parties anticipate will be substantially similar to http://www.SBO.ezwsite.com. Any changes to that registered domain name during the Term shall be subject to agreement by the parties. ClientCare Inc and YP.Net will each receive full Media Metrix traffic credit for the ClientCare Inc Private Label Service.

2.5 CLIENTCARE INC BRAND FEATURES. ClientCare Inc will provide YP.Net with such ClientCare Inc Brand Features as it determines in its sole discretion and any navigational elements associated with each, as necessary to permit YP.Net to create the ClientCare Inc Private Label Service and to comply with its obligations under this Agreement. ClientCare Inc will provide YP.Net with the

ClientCare Inc Brand Features in an electronic format as reasonable requested by YP.Net YP.Net will provide the content necessary to integrate the YP.Net Basic Services into the ClientCare Inc Private Label Service. Notwithstanding the obligations set forth in this Section, neither party will be obligated to provide to the other party any content or services or include any content or services in the ClientCare Inc Private Label Service or for any other Web Site, if doing so would put such party in breach of an existing contractual obligation.

2.6 RESPONSIBILITY FOR THE CLIENTCARE INC PRIVATE LABEL SERVICE. As between YP.Net and ClientCare Inc, and except as expressly provided otherwise in this Agreement or in any related support services agreement, YP.Net will develop, operate, maintain and host the ClientCare Inc Private Label Service and all content contained therein, excluding user registration as provided under Section 2.7. The ClientCare Inc Private Label Service will be maintained and operated by YP.Net in accordance with the membership terms of service attached hereto as Exhibit C (the "Membership Terms of Service"), which shall at all times be substantially similar to the then-current membership agreement on the YP.Net Web Site. ClientCare Inc may modify these terms at their sole discretion.

2.7 USER REGISTRATION. During the Term commencing with the Launch Date, ClientCare Inc will be responsible for registering users of the ClientCare Inc Private Label Service on ClientCare Inc's Web Site. Such registration process will require users to consent to the Membership Terms of Service, and ClientCare Inc will ensure that any user who does not consent to the Membership Terms of Service may not create a personalized web site through the ClientCare Inc Private Label Service. In addition, ClientCare Inc will make efforts to ensure that the registration process for the ClientCare Inc Private Label Service requires verification that the user is over the age of eighteen (18) and prohibits users under the age of eighteen (18) from creating a personalized Web Site through that Private Label Service.

2.8 PARTNER SUPPORT. YP.Net will support ClientCare Inc, as set forth in Exhibit E.

2.9 USER INFORMATION. YP.Net and ClientCare Inc will jointly own any and all User Information collected by either party from ClientCare Inc SBOs ("CLIENTCARE INC PRIVATE LABEL SERVICE USER INFORMATION"). ClientCare Inc Private Label Service User Information will be collected, disclosed, or used by the parties only in accordance with the privacy policy for the ClientCare Inc Private Label Service to be mutually agreed upon by the parties and attached hereto as Exhibit D (the "Privacy Policy") and in accordance with all applicable laws. After the Launch Date, YP.Net will provide ClientCare Inc Private Label Service User Information to ClientCare Inc on a monthly basis via an online reporting service. ClientCare Inc may modify this policy at their sole discretion.

3. YP.NET NETWORK OFFERINGS.

3.1 CLIENTCARE INC'S SALES OF SERVICE: As a reseller of YP.Net Services, ClientCare Inc may sell the YP.Net Basic Service to ClientCare Inc SBOs via the ClientCare Inc Private Label Service. ClientCare Inc will have sole discretion to set and determine the price at which it sells Services to ClientCare Inc SBOs.

3.2 TIER 2 ASSOCIATES SIGN-UP. ClientCare Inc may sell the Private Label Services to Tier 2 Associates. Tier-2 Associates may sell to its own SBOs the YP.Net Basic Services. The Private Label Service that ClientCare Inc may sell to Tier 2 Associates will be primarily branded with the branding of the Tier 2 Associate and will include a "Fueled by vista.com", logo. Such Private Label Service will be hosted and maintained by YP.Net at a URL owned by such Tier 2 Associate. ClientCare Inc will have sole discretion to set and determine the price at which it sells the Private Label Service to Tier 2 Associates and the Tier 2 Associate will have sole discretion at which it sells the Private Label Service to SBOs.

4. MARKETING. During the Term, ClientCare Inc will use commercially reasonable efforts to promote and market the ClientCare Inc Private Label Service. Throughout the Term, the parties will use commercially reasonable efforts to meet periodically and create collaborative business development strategies to market and promote the ClientCare Inc Private Label Service and the Services. Those marketing efforts that have bean identified and agreed upon by the parties are set forth in Exhibit E.

5. BILLING, COLLECTIONS, PAYMENTS AND ACCOUNTING

5.1 PAYMENT. During the Term of this Agreement, ClientCare Inc agrees to pay YP.Net in accordance with the following formulas.

5.1.1 YP.NET BASIC SERVICES FORMULA. In connection with YP.Net Basic Services created each month during the Term by ClientCare Inc or ClientCare Inc's Tier 2 Associates, ClientCare Inc will be obligated to pay YP.Net the Monthly Service Fee (as set forth in Exhibit F) per ClientCare Inc SBO or ClientCare Inc Tier 2 Associate SBO, who are registered to receive those Services each month.

5.1.2 PAYMENT. In the event YP.Net does not collect sufficient Net Revenues, Transaction Fees, or applicable taxes from ClientCare Inc SBOs and ClientCare Inc Tier 2 Associate SBOs, to cover the amounts owed by ClientCare Inc to YP.Net as calculated in this Section 5.1, then YP.Net will invoice

ClientCare Inc for the difference. ClientCare Inc will pay YP.Net within thirty (30) days from the date of such invoice. Invoices not paid within such time period shall be subject to a late payment charge of 1.5% per month (or the maximum rate permitted by law, whichever is lower) on the outstanding balance thereof, accruing from the due date. In the event that after a reconciliation per 5.3 below. YP.Net owes money to ClientCare Inc irrespective to the provisions of 5.3. ClientCare Inc can invoice YP.Net for that money & YP.Net must pay within 30 days from date of said invoice in like manner & kind to YP.Net's rights under this clause

5.2 BILLING AND COLLECTION. ClientCare Inc hereby appoints YP.Net. and YP.Net accepts such appointment, to be ClientCare Inc's billing and collection agent for billing and collecting Gross Revenues from ClientCare Inc SBOs, and ClientCare Inc Tier 2 Associate SBOs. YP.Net will bill and collect said Gross Revenues on ClientCare Inc's behalf pursuant to Sections 3.1 and 3.2. ClientCare Inc may at any time and at its sole discretion, decided not to use the billing and collection services of YP.Net without penalty to ClientCare Inc.

5.3 REMITTANCE. YP.Net will retain an amount equal to the payment owed by ClientCare Inc to YP.Net as calculated by the formulas set forth in Sections 5.1.1 and 5.1.2 above and will use commercial reasonable efforts to remit to ClientCare Inc ClientCare Inc's share of Net Revenues and applicable taxes via electronic funds transfer within thirty (30) business days following any month in which those Net Revenues have been collected. If at any time ClientCare Inc owes YP.Net any amount based upon a reconciliation of a prior month's billing, then YP.Net may retain an additional amount equal to the underpayment. Likewise, if after a reconciliation YP.Net owes ClientCare Inc, YP.Net will include such amount with the next month's remittance.

5.4 REPORTING. Within ten (10) days after the end of each month during the Term, YP.Net will furnish ClientCare Inc with a statement itemizing the total amount of Gross and Net Revenues collected that month from all services for which ClientCare Inc is entitled to a share of the resulting Net Revenues. ClientCare Inc will be solely responsible for remitting any amounts due and owing to ClientCare Inc's Tier 2 Associates as agreed between ClientCare Inc and its Associates and as documented in the statement.

5.5 CHARGEBACKS AND REFUNDS. In the event that an SBO stops payment or "charges back" its credit card for Services on the ClientCare Inc Private Label Service, then YP.Net may recoup any Net Revenues and applicable taxes remitted to ClientCare Inc for the Services that the SBO stopped payment. In the event an SBO requests a refund for Services not yet rendered (e.g., the SBO has prepaid for 1 year of service and requests a refund after six months), then YP.Net will provide a pro-rated refund and YP.Net may recoup that portion of Net Revenues remitted to ClientCare Inc for the refunded time period. In the event that an SBO requests a refund for Services due to a failure to provide requested Services, and YP.Net agrees that it failed to provide such Services, then YP.Net will refund SBO's

payment and YP.Net may recoup that portion of Net Revenues remitted to ClientCare Inc for those Services. In the event an SBO requests a refund for Services that were provided, then YP.Net may, in its discretion, decide whether to provide a refund to that SBO and if YP.Net decides to provide such refund, then YP.Net may recoup that portion of Net Revenues remitted to ClientCare Inc for those Services.

5.6 AUDIT. During the Term and for a period of two (2) years following the termination or expiration of the Agreement, the parties agree to keep all usual and proper records and books of account and all usual and proper entries and other documentation relating to any and all transactions contemplated by this Agreement (collectively, "Business Records"). During the Term and for a period of two (2) years following the expiration or termination of this Agreement, each party will have the right to cause an audit and/or inspection to be made of the other party's records relevant to this agreement in order to verify statements issued by the other party and compliance with the terms of this Agreement. Any such audit will be conducted by an independent certified public accountant selected by the auditing party (other than on a contingent fee basis} and reasonably acceptable to the audited party. Any audit or inspection is to be conducted during regular business hours at the audited party's facilities upon at least ten (10) days written notice. Such audits may not be made more often than once in any twelve (12) month period. If any such audit reveals an

underpayment of more than five percent (5%) related to the time period under audit, the reasonable costs and expenses to conduct such audit will be paid by the audited party and the audited party will pay such costs together with the amount of such underpayment within thirty (30) days from receipt of an invoice or statement therefore, itemizing the amounts of said underpayment and audit costs and including copies of relevant supporting documentation. All information disclosed or obtained in the course of conducting an audit will be Confidential Information of the audited party and used solely for the purpose of verifying compliance with the terms of this Agreement.

6. LICENSE GRANT.

6.1 During the Term and thereafter pursuant to Section 8.5, ClientCare Inc hereby grants YP.Net a worldwide, nonexclusive, royalty-free, fully paid-up, and. subject to Section 13.3, nontransferable license to use, reproduce, digitize, distribute, transmit, and publicly display ClientCare Inc Materials and ClientCare Inc Brand Features, as necessary for the development, operation, maintenance, and support of the ClientCare Inc Private Label Service and ClientCare Inc upon review and prior written approval of use by ClientCare Inc.

6.2 During the Term and thereafter pursuant to Section 8.5, ClientCare Inc hereby grants YP.Net a worldwide, nonexclusive, royalty-free, fully paid-up and, subject to Section 13.3, license to use, reproduce, digitize, distribute, transmit, and publicly display and sublicense ClientCare Inc Materials over the YP.Net Network, including without limitation, on YP.Net's Web Site and all SBO Web Sites, Partner Private Label Web Sites, and their SBO Web Sites, provided that ClientCare Inc has provided written approval. Such materials will be removed upon termination of this Agreement.

6.3 The parties agree that, except as expressly licensed to ClientCare Inc by this Agreement or by a separate license agreement as between the parties, YP.Net will retain all right, title, and interest in the ClientCare Inc Private Label Service, the YP.Net Network, YP.Net Basic Services, and all data, content, technologies and other property furnished by YP.Net to ClientCare Inc hereunder. Notwithstanding the foregoing, the parties agree that except as expressly licensed to YP.Net in this Agreement or a separate license agreement, ClientCare Inc will retain all right, title, and interest in the ClientCare Inc Web Site, ClientCare Inc Materials, ClientCare Inc Brand Features, ClientCare Inc Services and the ClientCare Inc Private Label Service domain name and all data, content, technologies and other property furnished by ClientCare Inc to YP.Net hereunder. Neither party will have any rights, title or interest in any materials, content or technology provided by the other party hereunder except as specifically provided in this Agreement and will not alter, modify, copy, edit, format, translate, create derivative works of or otherwise use any materials, content or technology provided by the other party except as explicitly provided herein or approved in advance in writing by the other party.

7. CONFIDENTIALITY

7.1 Each party will protect the other's Confidential Information from unauthorized dissemination and use with the same degree of care that such party uses to protect its own like information. Neither party will use the other's Confidential Information for purposes other than those necessary to directly further the purposes of this Agreement. Each party may disclose the terms and conditions of this Agreement to its employees, affiliates and its immediate legal and financial consultants on a need to know basis as required in the ordinary course of that party's business, provided that such employees, affiliates and/or legal and/or financial consultants agree in advance of disclosure to be bound by this Section 7. A party may disclose Confidential Information as required by government or judicial order, provided each party gives the other party prompt notice of such order and complies with any protective order (or equivalent) imposed on such disclosure.

7.2 Each party acknowledges that monetary damages may not be a sufficient remedy for unauthorized disclosure or use of Confidential Information and that each party may seek, without waiving any other rights or remedies, such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction.

8. TERM; TERMINATION

8.1 The term of this Agreement will be three (2) years from the Effective Date subject to automatic, successive renewal terms of one (1) year each, unless either YP.Net or ClientCare Inc gives the other party written notice of its intent not to renew at least ninety (90) days prior to the expiration of the initial term or any succeeding term (collectively the "Term"). If YP.Net agreement with Vista is terminated, then this agreement is also terminated without penalty.

8.2 TERMINATION FOR BANKRUPTCY. Either party may terminate this Agreement by written notice given to the other party, in the event the other party (i) files a petition in bankruptcy; or (ii) has a petition in bankruptcy filed against it by any third party, which is not dismissed within sixty (60) days. Termination pursuant to this Section shall take effect on the date notice by the terminating party is deemed given.

8.3 TERMINATION FOR CAUSE. In addition to any other rights or remedies that either party may have under the circumstances, all of which are expressly reserved, either party may terminate this Agreement at any time, if the other party is in material breach of any warranty, representation, term, condition or covenant of this Agreement, .and fails to cure that breach within sixty (60) days after written notice given, outlining all reasons for said termination.

8.4 EFFECTS OF TERMINATION. Upon the termination or expiration of this Agreement except to the extent provided pursuant to Section 8.5 below: (i) all rights and licenses granted hereunder and all obligations and covenants imposed hereunder will immediately cease; and (ii) except as expressly set forth herein, each party will: (A) stop using all Confidential Information of the other party then in its possession; (B) erase or destroy all such Confidential Information then residing in any computer memory or data storage apparatus in its possession or control; (C) at the option of such other party, either destroy or return to such other party all such Confidential Information in tangible form and all copies thereof; (D) remove all of the other party's Brand Features from the web sites and the YP.Net Network; and (E) YP.Net will remove all ClientCare Inc Materials, including ClientCare Inc Editorial Content from the YP.Net Website and YP.Net Network, except that YP.Net is not required to remove ClientCare Inc Materials from any SBO's Website out of control of YP.Net. In the event of termination of this Agreement, for any reason each and every clause which by its nature is intended to survive the termination of this Agreement Including, without limitation, Sections 1, 2.4, 2.8, 5 (only to the extent that transactions are authorized prior to expiration or termination), 5.2, 7, 8, 9, 10, 11, 12, and 13 will survive termination or expiration.

8.5 TRANSITION

8.5.1 YP.NET DEFAULT. Upon termination of this Agreement by ClientCare Inc pursuant to Section 8.2 or 8.3, YP.Net will use commercially reasonable efforts to assist ClientCare Inc in transitioning the ClientCare Inc SBOs off the YP.Net Network to a third-party web-hosting site or ClientCare Inc's own site as designated by ClientCare Inc. For the purpose of this section Commercially Reasonable Efforts shall mean "documentation relating to ClientCare Inc SBO Web Sites and customer data files, and the site images, logos, banners, html content, (collectively "Transition Deliverables"). The Transition Deliverables are stored in an Oracle database and on an NFS file server. Vista shall provide the Transition Deliverables to ClientCare Inc in the form of a data snapshot on CD-ROM. An Oracle export file will be provided on CD-ROM for each database. The Oracle export file contains the database schema and all database date related to ClientCare Inc SBO Websites". If YP.Net Services are still maintained on the YP.Net Network, then ClientCare Inc's obligation to pay, and YP.Net's obligation to provide the services and billing and collection, shall continue as necessary for such transition.

8.5.2 CLIENTCARE INC DEFAULT. Upon termination of this Agreement by Vista or YP.Net pursuant to Section 8.2 or 8.3, ClientCare Inc will use commercially reasonable efforts to assist YP.Net in transitioning the ClientCare Inc SBOs from the URL designated for the ClientCare Inc Private Label Service pursuant to Section 2.4 to a URL maintained by YP.Net. Specifically, ClientCare Inc will for up to six (6) months following termination or expiration maintain all of its SBO URLs and redirect such URLs to a URL agreed to by YP.Net and ClientCare Inc.

8.5.3 EXPIRATION. Upon expiration pursuant to Section 8.1, ClientCare

Inc and ClientCare Inc's Tier 2 Associates will no longer be entitled to sell Services to SBOs, YP.Net will continue to provide existing SBOs Services in accordance with the current Membership Agreement and the terms of this Agreement for up to two (2) additional years and pay ClientCare Inc there portions of the collected revenue as if this agreement was still in effect. In the event of expiration of this Agreement, Sections 1, 2.1, 2.3-2.5, 2.6, 2.8, 2.9, 6, 7, 8, 9, 10, 11, 12, and 13 will survive expiration for the two additional years.

9. INDEMNITY

9.1 BY YP.NET

9.1.1 YP.Net shall indemnify, hold harmless and, at its sole expense, defend ClientCare Inc and any of ClientCare Inc's subsidiaries, affiliates, directors, officers, employees, agents and independent contractors from and against any and all third-party claims, suits, proceedings, costs and expenses (including attorneys' fees), liabilities, losses and damages (collectively, "Third-Party Claims") arising out of, or in any way related to:

(i) Any actual or alleged breach of this Agreement or violation of applicable U.S. law by YP.Net;

(ii) Any YP.Net Content or YP.Net Brand Features, regardless of where located; or

(iii) The development, operation, maintenance and hosting of the ClientCare Inc Private Label Service, excluding user registration for that Service and any ClientCare Inc Materials or ClientCare Inc Brand Features displayed in connection therewith.

9.1.2 YP.Net's obligations under Section 9.1.1 shall be contingent on ClientCare Inc:

(i) Providing YP.Net with reasonably prompt written notice of any such Third-Party Claim, for which it is seeking a defense and/or

indemnification hereunder;

(ii) Fully cooperates with, and provides Information or other assistance to, YP.Net upon request and at YP.Net's expense; and

(iii) Allows YP.Net to control the defense and resolution of any such Third-Party Claim with legal counsel of YP.Net's choice.

Notwithstanding Section 9.1.2{iii) above, ClientCare Inc shall have the right to approve the settlement of any Third-Party Claim, which involves an admission or commitment by or on behalf of ClientCare Inc, other than the payment of money to be fully indemnified hereunder by YP.Net. Such approval shall not be unreasonably withheld or delayed.

9.1.3 In the event YP.Net settles or otherwise resolves a Third-Party Claim for which it is obligated to indemnify ClientCare Inc hereunder, YP.Net agrees not to publicize said resolution without first obtaining ClientCare Inc's written permission, which permission will not be unreasonably withheld.

9.2 By ClientCare Inc

9.2.1 ClientCare Inc shall indemnify, hold harmless and, at its sole expense, defend YP.Net and any of YP.Net's subsidiaries, affiliates, directors, officers, employees, agents and Independent contractors from and against any and all Third-Party Claims (as defined in Section 9.1.1 above), arising out of, or in any way related to:

(i) Any actual or alleged breach of this Agreement by ClientCare Inc;

(ii) Any ClientCare Inc Materials or ClientCare Inc Brand

Features, including in connection therewith infringement of any third-party's intellectual property rights, trade secrets or other proprietary rights; or

(iii) Violation of applicable U.S. law, regulation or YP.Net policy by ClientCare Inc, by any ClientCare Inc Tier 2 Associate, or by the SBOs of either said party.

9.2.2 ClientCare Inc's obligations under Section 9.2.1 shall be contingent on YP.Net:

(i) Providing ClientCare Inc with reasonably prompt written notice of any such Third-Party Claim, for which it is seeking a defense and/or indemnification hereunder;

(ii) Fully cooperates with, and provides information or other assistance to, ClientCare Inc upon request and at ClientCare Inc's expense; and

(iii) Allows ClientCare Inc to control the defense and resolution of any such Third-Party Claim with legal counsel of ClientCare Inc's choice.

Notwithstanding Section 9.2.2(iii) above, YP.Net shall have the right to approve the settlement of any Third-Party Claim, which involves an admission or commitment by or on behalf of YP.Net, other than the payment of money to be fully indemnified hereunder by ClientCare Inc. Such approval shall not be unreasonably withheld or delayed.

9.2.3 In the event ClientCare Inc settles or otherwise resolves a Third-Party Claim for which it is obligated to indemnify YP.Net hereunder, ClientCare Inc agrees not to publicize said resolution without first obtaining YP.Net's written permission, which permission will not be unreasonably withheld.

10. DISCLAIMER OF WARRANTIES. EACH PARTY DISCLAIMS ANY AND ALL WARRANTIES OR REPRESENTATIONS EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE, NEITHER PARTY WARRANTS THAT ACCESS TO OR USE OF ANY WEB SITE, INCLUDING THE ClientCare Inc PRIVATE LABEL SERVICE, WILL BE UNINTERRUPTED OR ERROR-FREE. OR THAT ANY SOFTWARE OR SERVICES WILL MEET ANY PARTICULAR CRITERIA OF PERFORMANCE OR QUALITY.

ALSO, THERE IS NO WARRANTY OF TITLE OR NON-INFRINGEMENT OR QUIET ENJOYMENT WITH RESPECT TO ANY CONTENT, SERVICES OR WEB SITES REFERENCED OR PROVIDED UNDER THIS AGREEMENT.

11. LIMITATION OF LIABILITIES. EXCEPT FOR OBLIGATIONS OF CONFIDENTIALITY UNDER SECTION B AND OBLIGATIONS OF DEFENSE AND INDEMNITY PURSUANT TO SECTION 10, BOTH PARTIES AGREE THAT (i) NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES, ARISING OUT OF OR RELATED TO THIS AGREEMENT INCLUDING, WITHOUT LIMITATION. DAMAGES FOR LOSS OF BUSINESS PROFITS. BUSINESS INTERRUPTION, LOSS OF BUSINESS INFORMATION, AND THE LIKE, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND (ii) THE TOTAL LIABILITY OF THE PARTIES TO EACH OTHER, AND EACH PARTY'S SOLE AND EXCLUSIVE REMEDY FOR ANY AND ALL CLAIMS RELATING TO OR ARISING UNDER THIS AGREEMENT WILL BE LIMITED TO THE AMOUNTS PAID HEREUNDER, WITH EACH PARTY RELEASING THE OTHER FROM ALL OBLIGATIONS, LIABILITY, CLAIMS OR DEMANDS IN EXCESS OF THAT AMOUNT.

NOTWITHSTANDING THE FOREGOING, THE PROVISIONS OF THIS SECTION 11 SHALL NOT RESTRICT EITHER PARTY'S ABILITY TO OBTAIN 1NJUNCTIVE OR OTHER EQUITABLE RELIEF.

12. TAXES.

12.1 The amounts to be paid by ClientCare Inc to YP.Net herein do not include any foreign, U.S. federal, state, local, municipal or other governmental taxes, duties, levies, fees, excises or tariffs, arising as a result of or in connection with the transactions contemplated under this Agreement including, without limitation, any state or local sales or use taxes or any value added tax or business transfer tax now or hereafter imposed on the provision of goods end services to ClientCare Inc by YP.Net under this Agreement, regardless of whether

the same are separately stated by YP.Net. All such taxes (and any penalties, interest, or other additions to any such taxes), with the exception of taxes imposed on YP.Net's income or with respect to YP.Net's property ownership, shall be the financial responsibility of ClientCare Inc. ClientCare Inc agrees to indemnify, defend and hold YP.Net harmless from any such taxes or claims, causes of action, costs (including, without limitation, reasonable attorneys' fees) and any other liabilities of any nature whatsoever related to such taxes.

12.2 ClientCare Inc will pay all applicable value added, sales and use taxes and other taxes levied on it by a duly constituted and authorized taxing authority on the software or services provided under this Agreement of any transaction related thereto in each country in which the services and/or property are being provided or in which the transactions contemplated hereunder are otherwise subject to tax, regardless of the method of delivery. Any taxes that-are owed by ClientCare Inc, (i) as a result of entering into this Agreement and the payment of the fees hereunder, (ii) are required or permitted to be collected from ClientCare Inc by YP.Net under applicable law, and (iii) are based upon the amounts payable under this Agreement (such taxes described in (i), (ii), and (iii) above the "Collected Taxes"), shall be remitted by ClientCare Inc to YP.Net, whereupon, upon request, YP.Net shall provide to ClientCare Inc tax receipts or other evidence indicating that such Collected Taxes have been collected by YP.Net and remitted to the appropriate taxing authority. ClientCare Inc may provide to YP.Net an exemption certificate acceptable to YP.Net and to the relevant taxing authority (including without limitation a resale

certificate(s) in which case, after the date upon which such certificate is received in proper form, YP.Net shall not collect the taxes covered by such certificate.

12.3 If, after a determination by foreign tax authorities, any taxes are required to be withheld, on payments made by ClientCare Inc to YP.Net. ClientCare Inc may deduct such taxes from the amount owed YP.Net and pay them to the appropriate taxing authority; provided however, that ClientCare Inc shall promptly secure and deliver to YP.Net an official receipt for any such taxes withheld or other documents necessary to enable YP.Net to claim a U.S. Foreign Tax Credit. ClientCare Inc will make certain that any taxes withheld are minimized to the extent possible under applicable law.

12.4 This tax section shall govern the treatment of all taxes arising as a result of or in connection with this Agreement notwithstanding any other section of this Agreement.

13. GENERAL PROVISIONS

13.1 INDEPENDENT CONTRACTORS. The parties are independent contractors with respect to each other, and nothing in this Agreement will be construed as creating an employer-employee relationship, a partnership, or a joint venture between the parties. The only agency relationship created by this Agreement is created in Section 5.2 regarding the provision of billing and collection services by YP.Net.

13.2 GOVERNING LAW. This Agreement will be governed by the laws of the State of Arizona, excluding choice of law rules. The parties agree to jurisdiction and venue in the state and federal courts sitting in Maricopa County, Arizona. In any action or suit to enforce any right or remedy under this Agreement or to interpret any provision of this Agreement, the prevailing party will be entitled to recover its costs, including reasonable attorneys' fees.

13.3 ASSIGNMENT. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party, except that either party will be permitted, without the other party's prior written consent, to assign its rights and obligations to an acquiring or successor entity in connection with a merger, a sale of its business or a sale of all or substantially all of its assets, upon prompt written notice thereof given to the other party once said assignment becomes certain and provided such successor is not a direct competitor of the other party. All terms and provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective permitted transferees, successors and assigns.

13.4 COSTS. Except as otherwise expressly provided herein, each party: (a)

will be responsible for all costs associated with the performance obligations expressly undertaken by such party under this Agreement, and (b) will have no right to obtain reimbursement or other payment from the other party.

13.5 CONSTRUCTION. In the event that any provision of this Agreement conflicts with governing law or if any provision is held to be null, void or otherwise ineffective or invalid by a court of competent jurisdiction, (i) such provision will be deemed to be restated to reflect as nearly as possible the original intentions of the parties in accordance with applicable law, and (ii) the remaining terms, provisions, covenants and restrictions of this Agreement will remain in full force and effect. This Agreement has been negotiated by the parties and their respective counsel and will be interpreted fairly in accordance with its terms and without any strict construction in favor of or against either party. The section headings used in this Agreement are intended for convenience only and will not be deemed to affect in any manner the meaning or intent of this Agreement or any provision hereof.

13.6 NOTICES. All notices and requests in connection with this Agreement will be given in writing and will be deemed given on the date of first attempted delivery (whether successful or not) to the

intended recipient's last known address by messenger, delivery service, or in the United States of America mail, postage prepaid, certified or registered, return receipt requested, and addressed as follows:

To YP.Net:	To ClientCare Inc:
YP.Net	ClientCare Inc, Inc.
4840 E. Jasmine St., Ste 105	3546 E. Caballero Street
Mesa, AZ. 85205	Mesa, AZ 85213
Attention:	Attention: Ron Howard
Phone 480-654-9646	Phone: 480-832-1235
Fax: 480-654-9727	Fax: 480-832-5511

or to such other address as the applicable party may designate pursuant to this notice provision.

13.7 ENTIRE AGREEMENT. This Agreement and the attached Exhibits constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements or communications. This Agreement will not be modified except by a written agreement dated subsequent to the date of this Agreement and signed on behalf of YP.Net and ClientCare Inc by their respective duly authorized representatives. No waiver of any breach of any provision of this Agreement will constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver will be effective unless made in writing and signed by an authorized representative of the waiving party.

The parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

YP.NET	CLIENTCARE INC, INC.
By: /s/ Greg Crane	By: /s/ Ron Howard
Name (Print) Greg Crane	Name (Print) Ron Howard
Title E.V.P.	Title Pres.
Date 5-10-02	Date 2-20-02

EXHIBIT A

SPECIFICATIONS

I. DESIGN SPECIFICATIONS

- YP.Net Basic Service as described in EXHIBIT B with the following modifications:
- YP.Net (o provide an XML API to externally create e-generated sites based upon the transfer of user data collected through ClientCare Inc's sign-up process.
- YP.Net will host the Private Label Sign-Up process with ClientCare Inc's unique branding requirements.
- YP.Net will enable the service for private labeling.
  URL will be private labeled as "SBO.ezwsite.com", ezwebsite icon position in Management Console. ClientCare Inc specific tab in the Management Console with link to ClientCare Inc website
- YP. Net will provide a Partner Dashboard for:
  Reporting
  Managing

II. TECHNICAL SPECIFICATIONS

- Basic Service: YP. Net's Basic Service allows for the automatic generation of industry specific e-businesses for SBOs. YP.Net provides a cutting edge eBusiness solution which includes an integrated, comprehensive and diverse suite of services designed to allow small business owners to create a robust and professional online presence, promote their business, conduct secure e-commerce, service their customers, and measure the success of their business online.

- XML API: This capability allows ClientCare Inc to send specific SBO information to YP.Net in a format that allows YP.Net to create sites for ClientCare Inc SBOs. There are two types of XML defined for inbound and outbound traffic: request XML and response XML. The request XML contains information such as partner information, customer information, company name, and desired url for the site. The response XML, sent in response to the receipt and processing of request XML, contains status information about the processing of site creation.

- PRIVATE LABEL SIGN-UP: Private label sign-up process includes; custom offer & pricing page, online sign-up form, sample sites, and guided tour accessed through the ClientCare Inc web site.

- PRIVATE LABEL SERVICE: ClientCare Inc SBOs will feel like they are using a service offering from ClientCare Inc. The SBO's URL will say SBO is at azwsite.com. When the customer administers their site, they will see the eZwebsite.com logo prominently placed at the top of the Management Console and they will see the ClientCare Inc tab in the Management Console offering specific ClientCare Inc services and information.

- PARTNER DASHBOARD: This capability allows ClientCare Inc to manage the relationship with their SBOs, The Partner Dashboard is a key element of the easy to use functionality that allows ClientCare Inc to manage these relationships using the very same YP.Net technology that ClientCare Inc SBOs will be using. The Partner Dashboard will only be available to Partners, like ClientCare Inc and their Tier 2 Associates, and includes the ability to run pre-built reports for tracking the customer relationship. The Partner Dashboard also contains applications that allow ClientCare Inc to manage their SBO's. All of these capabilities are accessible via the ClientCare Inc Partner Dashboard.

III. CLIENTCARE INC PRIVATE LABEL SERVICE MOCK-UP

[GRAPHIC OMITTED]

II. BRANDING GUIDELINES

Every Management Console of the ClientCare Inc Private Label Service will contain the following "Fueled by vista" logo or other vista.com as may be updated by Vista from time to time (the "Logo");

[GRAPHIC OMITTED]

III. SCHEDULE

Both parties agree to use commercially reasonable efforts to complete the work specified by February 20, 2002

EXHIBIT B

YP.NET BASIC SERVICES

YP.Net reserves the right to change the Vista Basic Service, and/or replace services upon reasonable notice to Customers. The YP.Net Basic Services include the following:

- Web Site Creation
  - Web Site Set-up
  - Web Site Hosting
- Content Offerings
  - Content Editor
  - Images
  - Weather
  - Maps
  - Driving Directions
  - Logo Creator
  - Calculator
- Marketing Services
  - Search Engine Placement
  - Domain Registration
  - Banner Ad Creation
  - Banner Ad Exchange
  - E-forms
  - Message Templates
  - Broadcast email
- Commerce Services
  - Online Store
  - Inventory Management
  - Secure Shopping Cart
  - Auto Tax Calculator
  - Auto Shipping Calculator
  - Order Processing
  - Merchant Account Services
  - Auctions
- Community Services
  - Events Calendar
  - Reservations
  - Appointments
  - Message Boards
  - Chat
- Management Services
  - Query Reporting
  - Analysis
  - Custom Reports
  - Management Console
  - Notification
- Storage
  - 20MB of Disk Space

EXHIBIT C

MEMBERSHIP TERMS OF SERVICE

Welcome to www.ezwsite.com ClientCare Inc, Inc., ("ClientCare Inc"), a Arizona Corporation, provides the web site ClientCare Inc and all services offered through the web site (collectively the "Site"), subject to the following Web Site Access Agreement ("Agreement"). Your access to and use of the Site is governed by this Agreement. As used in this Agreement "ClientCare Inc" "We," "Us," or "Our refers to ClientCare Inc, Inc. "You" or "Your" refers to you, a small business owner subscribing this Site.

TABLE OF CONTENTS

1. ELECTRONIC TRANSACTIONS

Communications and transactions at this Site are conducted electronically, ClientCare Inc may provide all communications, disclosures, and notices electronically including, without limitation, in text on a web page or via email to any email address you may provide. - If you do not wish to deal with ClientCare Inc electronically, please do not use this Site.

All electronic records are deemed sent when properly addressed and when they enter an information processing system outside the control of the sender. All electronic records are deemed received when the record enters an information processing system that the recipient has designated or uses for the purpose of receiving electronic records of the type sent, in a form capable of being retrieved from that system.

2. DESCRIPTION OF SERVICE

The Site currently permits small business owners to maintain a business presence on the Internet via personalized web pages. Unless explicitly stated in any offer from ClientCare Inc to amend this Agreement, any new features that augment or enhance the current Site, including the release of new ClientCare Inc features and services, are subject to this Agreement

3. LICENSE TO USE THE SITE

ClientCare Inc hereby grants you a non-exclusive, non-transferable, personal license to access and use the Site solely as necessary to create and manage personalized web pages solely in connection with the operation of a licensed

business ("Account"). Except for the license in this Section 3, ClientCare Inc retains all right, title, and interest in and to the Site. Subject to applicable law, ClientCare Inc reserves the right to suspend or deny, at its sole discretion, your access to all or any portion of the Site with or without notice. You may not access or use the Site or any portion of the Site if such access would violate any law. We advise you to retain a copy of this Agreement. Permission to reprint or electronically reproduce any content available on the Site, in whole or in part for any purpose other than as necessary to create and manage your Account is expressly prohibited, unless you have obtained prior written consent from ClientCare Inc. The Site is protected by copyrights, trademarks, service marks, patents or other proprietary rights and laws under both United States and foreign laws. All rights not expressly granted herein are reserved to ClientCare Inc and its licensors.

4. PROTECT YOUR PASSWORD: YOU AUTHORISE ALL USES MADE OF IT.

You are responsible for maintaining the confidentiality of the password that you choose to access and use the Site and your Account. Subject to applicable law, you agree to be liable for all uses of your Account whether or not actually authorized by you, including but not limited to access to your Account information through the "Manage your Site" feature. This means that you should not supply your password to anyone who is not authorized to take actions for you.

5. CLIENTCARE INC PRIVACY POLICY

Our Privacy Policy is a part of this Agreement and its terms are incorporated by this reference. Please read it now (by clicking on "Privacy Policy"). The policy explains how certain information about you may be used.

6. CONDUCT ON THE SITE

You understand that all information, data, text, files, software, music, sound, photographs, graphics, video, messages or other posted or transmitted by you through your Account and the Site, are your sole responsibility. This means that you, and not ClientCare Inc, are entirely responsible for all content that you or users of your web site upload, post or otherwise transmit via the Site, ClientCare Inc does not control the content on this Site and does not guarantee the accuracy, integrity or quality of any content. You understand that by using the Site, you may be exposed to content that is offensive, indecent or objectionable. Further, you agree to not use the Site to:

(a) upload, post or otherwise transmit any content that is unlawful, harmful, threatening, abusive, harassing, tortuous, defamatory, slanderous, vulgar, obscene, libelous, invasive of another's privacy, hateful, embarrassing, or racially, ethnically or otherwise objectionable to any other person or entity as determined by ClientCare Inc in its sole discretion;

(b) impersonate any person or entity, including, but not limited to, a ClientCare Inc staff, or falsely state or otherwise misrepresent your affiliation with a person or other entity;

(c) forge headers or otherwise manipulate identifiers in order to disguise the origin of any content transmitted through the Site or develop restricted or password-only access pages, or hidden pages or images (those not linked to from another, accessible page);

(d) upload, post, or otherwise transmit any content that you do not have a right to transmit under any law or under contractual or fiduciary relationships (such as inside information, proprietary and confidential information learned or disclosed as part of employment relationships or under nondisclosure agreements);

(e) upload, post or otherwise transmit any content that infringes any patent, trademark, trade secret, copyright or other intellectual property or proprietary rights of any party or the privacy or publicity rights of others;

(f) upload, post or otherwise transmit any unsolicited or unauthorized advertising, promotional materials, "junk mail," "spam," "chain letters" "pyramid schemes," or any other form of solicitation;

(g) upload, post or otherwise transmit any content that contains viruses or any other computer code, files or programs which interrupt, destroy, limit the functionality of, or cause damage to any computer software or hardware or telecommunications equipment;

(h) disrupt the normal flow of dialogue, cause a screen to "scroll" faster than other users of the Site are able to type, or otherwise act in a manner that negatively affects other users' ability to engage in real time exchanges;

(i) interfere with or disrupt the Site or servers or networks connected to the Site, or fail to comply with any requirements, procedures, policies or regulations of networks connected to the Site;

(j) intentionally or unintentionally violate any applicable local, state, national or international law, including, but not limited to, regulations having the force of law;

(k) "stalk," harass, or otherwise harm another;

(l) collect or store personal data in violation of any laws governing privacy;

(m) promote or provide instructional information about illegal activities, promote physical harm or injury against any group or individual, or promote any act of cruelty to animals;

(n) use your Account as storage for remote loading or as a door or signpost to another home page, whether inside or beyond the Site;

(o) reproduce, duplicate, copy, sell, resell or exploit any portion of the Site, use of the Site, or access to the Site;

(p) engage in any other conduct that inhibits any other person from using or enjoying the Site;

(q) engage in any other behavior on the Site, which in ClientCare Inc's sole discretion is unacceptable.

ClientCare Inc may (but is not obligated) to remove your content and terminate your Account and access to the Site for any reason, with or without notice to you, including without limitation, your web page or any listings on your web page that do not conform with the rules for the Site.

7. CONTENT SUBMITTED TO THE SITE

By submitting content to the Site for any purpose, including use in connection with your Account, you grant ClientCare Inc a world-wide, royalty-free, perpetual, irrevocable, non-exclusive license to use, copy, reproduce, modify, create derivative works from, adapt, and publish, edit, translate, sell, distribute, publicly perform and display the content without any limitation and in any media or any form now known or later developed for the purpose of providing you services under this Agreement. You acknowledge that ClientCare Inc does not pre-screen content, but that ClientCare Inc and its assignees will have the right (but not the obligation) in their sole discretion to refuse or remove any content that is available via the Site. You agree that you must evaluate and bear all risks associated with, the use of any content, including any reliance on the accuracy, completeness, or usefulness of such content.

8. INDEMNITY

You agree to defend, indemnify and hold harmless ClientCare Inc, and its subsidiaries, affiliates, officers, directors, agents, co-branders or other partners, and employees, harmless from any claim or demand, including reasonable attorneys' fees, due to or arising out of your content, your use of the Site or your Account your violation of the this Agreement or any third party's rights. ClientCare Inc reserves the right, at its own expense, to participate in the

defense of any matter otherwise subject to indemnification from you but shall have no obligation to do so. You shall not settle any such claim or liability without the prior written consent of ClientCare Inc if the settlement would affect ClientCare Inc's ability to provide the Site.

9. TERMINATION

ClientCare Inc may terminate this Agreement and your access to the Site upon thirty (30) days notice with or without cause, ClientCare Inc may terminate this Agreement and your access to the Site immediately if you breach this Agreement. In the event that ClientCare Inc terminates this Agreement without cause and you have prepaid for services, you may request a refund of any undisputed prepaid fees.

10. LINKS

We may provide, or third parties may provide, links to other Internet sites or resources. ClientCare Inc is not responsible for and does not endorse the informational content or any products or services available through other Internet sites or resources, and does not make any representations regarding its content or accuracy. We do not control any third party Internet sites and we are not liable for any technological, legal, or other consequences that arise out of your visit or transactions there. Your use of third party Internet sites is at your own risk and subject to the terms and conditions of use for such sites. This means that we are not your agent and will not be a party to any agreement that you may enter at third party Internet sites.

11. WARRANTIES

You represent and warrant for the benefit of ClientCare Inc and ClientCare Inc's licensors, suppliers, and any third parties mentioned on the Site that: (a) you possess the legal right and ability to enter into and make the representations and warranties contained in this Agreement; (b) all information that you submit to us is true and accurate; (c) you will keep your registration information current; (d) you will be responsible for all use of your Account even if such use was conducted without your authority or permission; (e) you will not use the Site for any purpose that is unlawful or prohibited by this Agreement: and (f) all content submitted to the Site is owned by you and ClientCare Inc's use of the content does not infringe or violate the intellectual property or other rights of any third parties; and (g) you have a valid business license.

12. DISCLAIMER OF WARRANTIES

THIS SITE AND ALL INFORMATION ACCESSIBLE ON OR THROUGH IT IS PROVIDED "AS IS," "AS AVAILABLE," "WITH ALL FAULTS," AND WITHOUT WARRANTY OF ANY KIND, ClientCare Inc GIVES NO EXPRESS WARRANTIES AND DISCLAIMS: (A) ALL IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY; FITNESS FOR A PARTICULAR PURPOSE; AVAILABILITY OF THE SITE; LACK OF VIRUSES, WORMS, TROJAN HORSES, OR OTHER CODE THAT MANIFESTS CONTAMINATING OR DESTRUCTIVE PROPERTIES; ACCURACY, COMPLETENESS, RELIABILITY, TIMELINESS, CURRENCY, OR USEFULNESS OF ANY CONTENT ON THE SITE; AND (B) ANY DUTIES OF REASONABLE CARE, WORKMANLIKE EFFORT OR LACK OF NEGLIGENCE IN CONNECTION WITH THE SITE-QR CONTENT AVAILABLE ON IT. THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY AND EFFORT IN CONNECTION WITH THE SITE AND CONTENT AVAILABLE ON IT IS BORN BY YOU.

IN ADDITION, ClientCare Inc DISCLAIMS ANY WARRANTIES OF NON-INFRINGEMENT, TITLE, OR QUIET ENJOYMENT IN CONNECTION WITH THE SITE AND INFORMATION AVAILABLE ON IT.

13. LIMITATION OF LIABLLITY

IN NO EVENT WILL ClientCare Inc BE LIABLE FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, EXEMPLARY DAMAGES, OR AMY OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOSS OF BUSINESS PROFITS, BUSINESS INTERRUPTION, LOSS OF DATA, PERSONAL INJURY, FAILURE TO MEET ANY DUTY INCLUDING ACTS OF GOOD FAITH OR OF REASONABLE CARE, LACK OF NEGLIGENCE, AND FOR ANY OTHER PECUNIARY OR OTHER LOSS WHATSOEVER) ARISING OUT OF OR IN ANY WAY CONNECTED WITH

THE USE THIS SITE AND ANY INFORMATION AVAILABLE ON IT, THE DELAY OR INABILITY TO USE THE SITE OR ANY INFORMATION, EVEN IN THE EVENT OF FAULT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, BREACH OF CONTRACT, OR BREACH OF WARRANTY OF ClientCare Inc AND EVEN IF ClientCare Inc HAS BEEN ADVISED OF THE" POSSIBILITY OF SUCH DAMAGES. THESE LIMITATIONS AND EXCLUSIONS REGARDING DAMAGES APPLY EVEN IF ANY REMEDY FAILS.

NOTWITHSTANDING THE FOREGOING, IN NO EVENT WILL ClientCare Inc BE LIABLE FOR ANY AMOUNT IN EXCESS OF THE AMOUNT PAID BY YOU TO US FOR USE OF THE SITE.

SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES OR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES. ACCORDINGLY, SOME OF THE ABOVE LIMITATIONS OF SECTIONS 13 AND 14 MAY NOT APPLY TO YOU.

14. THIRD PARTY BENEFICIARY

15. EXPORT CONTROLS

You agree to abide by U.S. and other applicable export control laws and not to transfer, by electronic transmission or otherwise, any content or software subject to restrictions under such laws to a destination prohibited under such laws, without first obtaining, and then complying with, any requisite government authorization. You further agree not to upload to your web site(s) hosted by ClientCare Inc any data or software that cannot be exported without prior written government authorization, including, but not limited to, certain types of encryption software.

16. AMENDING THIS AGREEMENT

This Agreement constitutes the entire agreement between you and ClientCare Inc about this Site and your use of it and it supercedes any prior or contemporaneous communications or displays whether electronic, oral, or written between you and ClientCare Inc regarding the Site (including, but not limited to, any prior versions of the Agreement). Except as described below in Section 17 regarding changes to fees, this Agreement may not be amended except by a specific offer from ClientCare Inc designated as an offer to amend its terms which is accepted by you in the manner indicated in the offer. If you accept the amended terms, they supersede any previous terms in the Agreement (or any amended version of the Agreement). If you do not accept the amended terms, you may terminate the Agreement and request a refund of any undisputed prepaid fees.

17. FEES; PAYMENT

Your use of the Site and your Account is subject to fees that ClientCare Inc sets from time to time. Click here to see the current fee schedule for the services offered at the Site. ClientCare Inc reserves the right to change its services or any fees charged for them upon 30 days' notice. If you do not agree to changes in fees, you may terminate your Account. You are responsible to pay ClientCare Inc for all fees, duties, taxes, and assessments arising out of your use of this Site and your Account. Current applicable charges

for the services are due in advance of each month for which the services are provided. If any service, other than the basic service plan, is selected by you, payment shall be due in full upon ordering the service. Only valid credit cards acceptable to ClientCare Inc may be used for orders placed at the site, and all refunds will be credited to the same card. By submitting your order for processing, you authorize us to charge your order (including taxes and any amounts shown to you before submission) to your card. If your card cannot be verified, is invalid, or is not otherwise acceptable, your order will be suspended automatically and we will send you an e-mail notice. You must resolve any problem within the time stated in the email notification or your order will be cancelled without further notice. You will also be liable for all attorney and collection fees arising from ClientCare Inc's efforts to collect any unpaid balance of your Account(s).

18. GENERAL INFORMATION

This Agreement does not create any agency, employment, partnership, joint venture, franchise or other similar or special relationship between you and ClientCare Inc. Neither party will have the right or authority to assume or create any obligations or to make any representations, warranties or commitments on behalf of the other party or its affiliates, whether express or implied, or to bind the other party or its affiliates in any respect whatsoever.

Your rights and obligations under this Agreement shall not be transferred or assigned directly or indirectly without the prior written consent of ClientCare Inc.

This Agreement and the relationship between you and ClientCare Inc is governed by the laws of the State of Arizona without regard to its conflict of law provisions. You and ClientCare Inc agree to submit to the personal and exclusive jurisdiction of the courts located within the county of Maricopa, Arizona. The failure of ClientCare Inc to exercise or enforce any right or provision of this Agreement will not constitute a waiver of such right or provision.

If any provision of this Agreement is found by a court of competent jurisdiction to be unenforceable, then the provision (or portion) will be deemed superseded by valid enforceable language that most clearly matches the intent and allocation of risk in the original provision {or portion), and the other provisions of this Agreement remain in full force and effect. You agree that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to use of the Site or this Agreement must be filed within one (1) year after such claim or cause of action arose or be forever barred. The section titles in the Agreement are for convenience only and have no legal or contractual effect.

EXHIBIT D

PRIVACY POLICY

CLIENTCARE INC USER PRIVACY POLICY

This Privacy Statement describes how ClientCare Inc, Inc. may collect and uses information through www.ezwsite.com ("Site").

WHAT INFORMATION MIGHT CLFENTCARE TNC COLLECT FROM USERS OF THE SITE?

ClientCare Inc and ClientCare Inc's service providers might collect information that you provide that personally identifies you when you use the Site. Such information may include, but is not limited to, your name, e-mail alias, user identification password and other information which can be connected to you via use of cookies (described below) (collectively "Personal Information"). Additionally, in the event that you purchase products or services from the Site you will need to disclose financial information such as a credit card to pay for such products or services ("Financial Information"). ClientCare Inc may collect "AGGREGATE INFORMATION" which does not indicate the identity of any particular user, but describes the habits, usage patterns and/or demographics of users as a group.

WHAT ARE COOKIES AND HOW ARE THEY USED?

A cookie is a very small text file placed on your hard drive by a computer server. It serves as your identification card and is uniquely yours. Cookies tell us that you returned to a specific web page on our Site and help us track your preferences and transactional habits. Cookies recognize your password and help us personalize your experience at the Site by permitting our computer server to "remember" who you are.

By modifying your browser preferences you may chose to accept all cookies, to be notified when a cookie is set, or to reject all cookies. If you choose to reject all cookies you may be unable to use those ClientCare Inc services that require registration in order to participate. Generally, we might use cookies to:

(1) Remind us of who you are. This cookie is set when you register or "Sign In" and is modified when you "Sign Out" of our ClientCare Inc services.

(2) Estimate our audience size. Each browser accessing ClientCare Inc is given a unique cookie which is then used to determine the extent of repeat usage, usage by a registered user versus by an unregistered user, and to help target advertisements based on user interests and behavior.

(3) Measure certain traffic patterns, which areas of ClientCare Inc you or your page visitors have visited, and those visiting patterns in the aggregate. We use this research to understand how our users' habits are similar or different from one another so that we can make each new experience on ClientCare Inc a better one. We may use this information to better personalize the content, banners and promotions that you and other users may see on our sites.

(4) ClientCare Inc might also collects IP addressers system administration and to report aggregate information to our advertisers.

HOW MIGHT CLIENTCARE INC USE AND SHARE MY PERSONAL INFORMATION?

For Small Business Owners.
- ------------------------

ClientCare Inc and ClientCare he's service providers might use your Personal Information to operate the Site, provide you services, open your Account, and enforce or investigate your Membership Terms of

Service regarding it. We also collect and store Personal Information regarding users that your personalized web pages (your Account).

For General Users Visiting Small Business Owner
- --

ClientCare inc and ClientCare he's service providers might use your Personal Information to operate the Site provide you services, and to enforce or investigate our User Terms of Service and claims regarding it. Your Personal Information may be stored and it may be shared with the small business owners whose web pages you visit ClientCare Inc does not control the use of your Personal Information made by any small business owner - so please contact them directly if you have questions about their policies concerning the use of your Personal Information.

PROMOTIONAL OFFERS FROM CLIENTCARE INC AND FROM THIRD PARTIES

We may send you information from time to time about ClientCare Inc's promotional offerings and we may share your Personal Information with third parties who wish to send you promotional offerings. Your consent to receipt of promotional offerings may be given to us via or in response to an email communication requesting your consent or otherwise during registration for use of the Site in the appropriate check boxes (if any) within the Site signifying your consent. To stop delivery of promotional information from ClientCare Inc please send e-mail to Ron@djronhoward.ocm. You may also be able to stop delivery of promotional
    ----
offerings from others by contacting them directly.

OTHER SITUATIONS IN WHICH PERSONAL INFORMATION MAY BE DISCLOSED

We store and disclose Personal Information as allowed or required by applicable law or when deemed advisable in ClientCare Inc's discretion. This means that we may make disclosures that am necessary or advisable to conform to legal and regulatory requirements or processes and to protect the rights, safety and property of ClientCare Inc, users of the Site and the public.

Financial Information: Generally, we do not share Financial Information with outside parties except to the extent necessary to provide you with any product or service that you may have purchased.

Aggregate Information: ClientCare Inc and ClientCare Inc's service providers reserve the right to freely use and distribute all Aggregate Information collected at this Site.

WHAT IS CLIENTCARE INC'S POLICY ABOUT ALLOWING ME TO UPDATE OR CORRECT MY PERSONAL INFORMATION?

You may update or edit your Personal Information at any time, if you are a small business owner, by accessing your Account, or if you are a user of the Site generally by sending email to Ron@djronhoward.ocm.

WHAT SECURITY PRECAUTIONS ARE IN PLACE TO PROTECT THE LOSS, MISUSE, OR ALTERATION OF MY INFORMATION?

We take reasonable steps to protect Personal Information and use encryption technology to help ensure security at the Site. However, no data transmission over the Internet or any wireless network can be guaranteed to be 100% secure. As a result, while we strive to protect your Personal Information ClientCare Inc cannot ensure or warrant the security of any information communicated to the Site.

QUESTIONS, COMMENTS, CONCERNS

If you have any questions or comments about our use of Personal Information, please contact us at Ron@djronhoward.ocm--

EXHIBIT E

MARKETING

YP.NET OBLIGATIONS:

1. Provide position statements, marketing data, and branding requirements to ClientCare Inc to promote the Private Label Service.

2. Promote Private Label Service via;
   2.1. A mutually agreed upon press release
   2.2. Additional marketing promotions will be mutually agreed upon by the parties

<TABLE>
<CAPTION>

EXHIBIT F
MONTHLY SERVICE FEE

Maximum Number of Pages Per Site	Monthly Per Site Charge
<S>	<C>
56	$ 12.50 *

<FN>
* ClientCare to pay YP.Net Per Site, Per Month
</TABLE>

EXHIBIT G
PARTNER ESCALATION SUPPORT

Technical Support: Technical Support is provided by a designated specialist in the vista.com Customer Service Center ("CSC") in response to a request from the Partners designated Technical Contacts. The CSC is the focal point of service delivery and service interaction with partner. Both telephone support and electronic services are offered from the CSC. Only Partner's Contact(s) will communicate with the designated CSC specialists.

SUBMITTING A SERVICE REQUEST: TO SUBMIT A REQUEST FOR SERVICE, PARTNER HAS THREE SERVICE OPTIONS:

(a) over the phone, Contact will dial vista.com service number as supplied to the Partner by vista.com. When a CSC specialist answers the phone, Partner contact will be prepared to discuss the problem with the specialist.

(b) via electronic chat, contact will connect to support chat via the vista.com website (www.vista.com)

(c) via email, Contact will enter the service request and send it to support@vista.com.

In order to submit a service request, either telephonically or electronically, Partner will employ the following procedures:

(a) provide a clear description that fully explains what the problem is, and when the problem occurs; and

(b) describe the steps taken to attempt to resolve the problem.

DEFINITIONS OF SUPPORT PRIORITIES:

PRIORITY 1: (P1) status is reserved for critical and severe problems. These problems occur when the YP.Net service is down, thereby halting transactions throughout the site, and there is no workaround.

PRIORITY 2: (P2) Serious problem: a major function is experiencing a reproducible problem which causes major inconvenience; common operations fail consistently; service exhibits system-wide security holes

PRIORITY 3: (P3) Problem: a fundamental function is experiencing an intermittent problem, or a common operation sometimes fails; a less common operation fails consistently

PRIORITY 4: (P4) Minor problems: a less common operation fails occasionally; all other errors

Priority 5: (P5) Request for enhancements

SUPPORT RESPONSE TIME: Upon receipt of a service request, the designated CSC specialist will reply to Contact to discuss the problem within one (1) business hour on a P-1 request, within four (4) business hours on a P-2 request, within eight (8) hours on a P-3 request, and within twenty four (24) hours on a P-4 or P-5 request from the time of receipt of the service request. Business hours are standard operation hours of vista.com

EXHIBIT 10.31

surfnet (R)
Media Group, Inc.

2235 W. UNIVERSITY DR - SUITE 9 - TEMPE, ARIZONA 85281-7246
VOICE: 877.311.9474 - FAX: 480.557.0627
www.surfnetmedia.com

September 24, 2003

YP Net, Inc.
4840 E. Jasmine Street
Suite 105
Mesa, Arizona 85205

Re: Letter of Intent

Gentlemen:

Over the last several months, SurfNet Media Group, Inc., a Delaware corporation, and YP Net, Inc., a Nevada corporation, have been in dialogue over strategic implementation of SurfNet's Metaphor TM Technology and services in YP.net's Business. YP.net and SurfNet desire to form a long-term cooperative business relationship. This Letter of Intent is entered into by YP.net and SurfNet as of the Effective Date and confirms YP.net's and SurfNet's understanding with respect to our preliminary discussions and summarize the intent and initial scope of our relationship.

1. CERTAIN DEFINITIONS. For purposes of this letter, the following terms have the following meaning:

   a. "Effective Date" means the date YP.net signs this Letter of Intent.

   b. "Parties" means YP.net and SurfNet, and "Party" means YP.net or SurfNet as the context requires.

   c. "Protected Information" mean, information from which SurfNet or YP.net derives economic value, actual or potential, from such information not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and which is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Protected information includes, without limitation, confidential information pertaining to matters such as technology, financing and business operations, development and integration strategies.

   d. "SurfNet's Metaphor TM Technology" means the method and system for adding functionality to a Web page described in US Patent 6,594,691 issued to SurfNet on July 15, 2003.

   e. "YP.net's Business" means the business of providing internet-based yellow page advertising space on or through www.Yellow-Page.Net, www.YP.net and www.YP.com.

2. INTENTION. This will confirm the mutual intentions of the Parties to enter into a licensing agreement or other business arrangement to exploit the synergies between YP.net's Business and SurfNet's Metaphor(TM) Technology. The Parties will endeavor to execute all definitive agreements by December 1, 2003. Except as provided in Section 7, the Parties agree that neither company will disclose the fact or content of their discussions to others unless required by law or if both parties agree to do so.

3. EXCLUSIVITY; JOINT DEVELOPMENT EFFORTS; STOCK SWAP. The definitive agreements referred to in Section 2 above will include provisions stating the following:

   a. SurfNet will not enter into a licensing agreement or other business arrangement relating to SurfNet's Metaphor(TM) Technology with any

third party engaged in the business of providing Internet-based yellow page advertising space, and (II) YP.net will not enter into a licensing agreement or other business arrangement with any third party having technology providing the same or similar functionality as SurfNet's MetaphorTM Technology.

b. Derivative works (as defined in the United States Copyright Act) and other modifications, improvements, fixes, enhancements, and upgrades with respect to SurfNet's MetaphorTM Technology that are jointly developed by the Parties shall be jointly owned by the Parties, and that, with respect to such jointly developed derivative works, each shall grant to the other a worldwide, non-exclusive, fully-paid, royalty-free, irrevocable, sublicensable license to make, have made, use, sell, offer for sale, import and otherwise exploit such derivative works, including products or services that include or rely on or use such derivative works.

c. The Parties will exchange shares of stock in an amount and on the basis of an exchange ratio to be agreed upon.

4. CONFIDENTIALITY. During the course of SurfNet's and YP.net's discussions, the parties will disclose Protected Information. As a condition to sharing, whether in writing or orally, Protected Information, each Party hereby acknowledges and agrees as follows:

a. The Protected Information, whether now or hereafter shared, in whole or in part, is confidential.

b. The business and prospects of a Party could be damaged if the other Party discloses Protected Information to any person without such Party's consent.

c. Each Party will each keep confidential and refrain from disclosing or divulging to any person the other's Protected Information without the other's prior written consent (other than disclosures by a Party to its agents, representatives or employees who will be bound by the terms of this Agreement and advised that the other's Protected Information must be treated as confidential).

d. Each Party will not use the other's Protected Information (nor permit the use thereof) in a manner or for a purpose detrimental to the other's business.

e. Obligations of confidentiality with respect to Protected Information which constitutes trade secrets under the Uniform Trade Secrets Act (or other similar applicable law) will extend for so long as such information remains a trade secret.

f. Obligations of confidentiality with respect to Protected Information that is not covered under the Uniform Trade Secrets Act (or other similar applicable law), will (i) be defined in a subsequent agreement entered into between the Parties, or, (ii) if no such subsequent agreement is executed, extend for three (3) years from the date the Parties mutually agree, or one Party notifies the other, that a licensing agreement or other business arrangements between them relating to the subject matter hereof will not be consummated.

g. Wrongful disclosure or use of Protected Information in contravention of the provisions of this agreement will give rise to irreparable injuries not adequately compensable in damages. In the event that preliminary injunctive relief to maintain the status quo is required, such relief may be

sought by a Party from any court of competent jurisdiction, and each Party agree to be bound by any and all orders rendered by such court. No failure or delay in exercising any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege. No Party can waive or amend any provision hereof except with the other Party's written consent, which consent will specifically refer to any such provision and explicitly make such waiver or

amendment.

5. NONBINDING. Although SurfNet and YP.net may exchange proposals (written or oral), term sheets, draft agreements or other materials, neither party will have any obligations or liability to the other party unless and until SurfNet's and YP.net's authorized representatives sign definitive written agreements. Either party can end these discussions at any time, for any reason, and without liability to the other. Each party remains free to negotiate or enter into similar relationships with others. Any business decision either party makes in anticipation of definitive agreements is at the sole risk of the party making the decision, even if the other party is aware of, or has indicated approval of, such decision.

6. PUBLICITY. Neither party shall identify, either expressly or by implication, this relationship, the other party or use any of the other party's names, trademarks, trade names, services marks, or other proprietary marks in any marketing material, advertising, press releases, publicity matters or other promotional materials without the other party's prior written approval. The Parties will issue a mutually agreed upon joint press release within five business days following the execution of this Letter of Intent announcing the execution hereof. Except as required by law or applicable listing agreement, no other press release shall be issued regarding the execution of this Letter of Intent by either Party without the prior written consent of the other. Notwithstanding the foregoing, the Parties will be permitted to make reference to the matters addressed in the Letter of Intent in other press releases, provided that such references are consistent in substance with the initial press release.

7. STOCK PURCHASE. SurfNet shall sell to YP.net, and YP. Net shall purchase from SurfNet 11,667 shares of Common Stock (collectively, the "Shares"), for an aggregate price of $35,000.00 (the "Purchase Price"), based upon the closing sale price of the Common St6ock as quoted on Yahoo Finance on September 24, 2003, payable in immediately available funds upon execution of this Agreement and a Subscription Agreement mutually agreeable to the Parties. Thereupon, SurfNet shall issue to YP.net certificates representing the Shares registered on SurfNet's stock ledger in the name of YP.net equaling the aggregate number of Shares being purchased by UP.net under this Agreement. YP.net agrees that the certificates representing the Shares shall bear a legend in substantially the following form:

   "The shares represented by this certificate are "restricted securities" as that term is defined in Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold or otherwise transferred, pledged or hypothecated except in a transaction registered under the Securities Act or in a transaction exempt from such registration."

8. EXPENSES. Each party will re responsible for its own expenses and costs related to these discussions. Neither party is authorized to make any commitments or statements on behalf of the other party.

9. GOVERNING LAW. The substantive laws of the State of Arizona govern this Letter of Intent.

10. COMPLETE AGREEMENT. This Letter of Intent represents the complete and exclusive understanding of the Parties on this subject and supersedes all proposals or other prior agreements, oral or written, and all other communications between the Parties relating to this subject. This letter of Intent can only be

modified by a writing signed by each Party that states it amends this Letter of Intent. The parties indicate their agreement to the terms of this Letter of Intent by signing below.

Very truly yours,

SURFNET MEDIA GROUP, INC.

By: /s/ Robert D. Arkin

Robert D. Arkin
Chief Executive Officer

ACKNOWLEDGED AND AGREED:

YP.NET, INC.

By: /s/ Angleo Tullo

Angleo Tullo
Chief Executive Officer

Effective Date: Aug 26th 2003

Exhibit 10.32

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 10.33

GlobalPOPS New Customer Order

Company Name :	Yp.Net, Inc.
Address :	4840 E Jasmine #105
City, State ZIP :	Mesa, AZ 85205
Administrative Contact's Primary Phone :	4806549646
Administrative Contact's Email Address :	sales@yp.com
Technical Contact's Name :	Mike McAllister
Technical Contact's Title :	IT
Technical Contact's Primary Phone :	4806549646
Technical Contact's Email Address :	support@yp.com
Billing Contact's Name :	Gail Kyser
Billing Contact's Title :	Book Keeper
[Billing Contact's Primary Phone :	4806549646
[Billing Contact's Email Address :	gailk@ypcorp.com

Services Information :

Request to Start Service : Immediately

Pricing Requested :	Per Hour Services
Minimum Hours :	3000
(pricing Per Hour :	$0.15
|Monthly Minimum :	$450

Yp.Net, Inc. hereby requests the above services to be activated In conjunction with the company, RADIUS, and payment Information submitted with this order. I understand that GlobalPOPs will Invoice Yp.Net, Inc. on the first day of each billing cycle for a minimum of 3000 hours plus the amount of hours exceeding this minimum that authenticated through the RADIUS process for Yp.Net, Inc. for the billing cycle that ended the previous night. I also understand that If Yp.Net, Inc. requests a change of billing date, change of service, or close of account, GlobalPOPs will calculate the hours used during the billing cycle to be changed. Yp.Net, Inc. Is also responsible at all times to have on deposit with GlobalPOPs a dollar amount matching the price of current usage during the length of a billing cycle. In addition, I understand that once activated, the services used by Yp.Net, Inc. may be disconnected at any time If payment has not been received on an Invoice that is due. If Yp.Net, Inc. chooses to change services (Including cancellation), all changes will be made through GlobalPOP's back office located at http://login2.us.

Administrative Contact's Name : Angelo Tullo

Signature : /s/ Angelo Tullo Date: 10/5/2003

Please sign and fax this order to (206) 495-1720

Exhibit 21

List of Subsidiaries

Name	Place of Incorporation
Telco Billing, Inc.	Nevada

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
YP.Net, Inc.:

We consent to the incorporation by reference in the registration statements of 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.Net, Inc. 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 the September 30, 2003 annual report on Form 10-KSB of YP.Net, Inc.

/s/ Epstein, Weber & Conover P.L.C.

Scottsdale, Arizona
December 30, 2003

Exhibit 31

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Angelo Tullo, Chairman and Chief Executive Officer of YP.Net, Inc., certify that:

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

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 officers 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: December 30, 2003 /s/ Angelo Tullo

Angelo Tullo
Chairman and Chief Executive Officer
(Principal Executive Officer)

I, David Iannini, Chief Financial Officer of YP.Net, Inc., certify that:

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

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 officers 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: December 30, 2003 /s/ David Iannini

David Iannini
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, Angelo Tullo, the CEO of YP.Net, Inc., 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.Net, Inc. 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.Net, Inc.

Date: December 30, 2003 /s/ Angelo Tullo

Angelo Tullo
Chairman and Chief Executive Officer

I, David Iannini, the CEO of YP.Net, Inc., 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.Net, Inc. 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.Net, Inc.

Date: December 30, 2003 /s/ David Iannini

David Iannini
Chief Financial Officer