U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB/A

(Amendment No. 2)

(Mark one)

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

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

Commission File Number: 0-24217

YP CORP.

(Name of Small Business Issuer in its Charter)

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

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

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

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

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

YP.NET, INC.
(Former Name)

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

Transitional Small Business Disclosure Format: Yes ☐ No ☒

EXPLANATORY NOTE

This Amendment on Form 10-KSB/A (this "Amendment"), amends the Annual Report on Form 10-KSB for the year ended September 30, 2000, as originally filed by YP Corp. on January 16, 2001 (the "Original Filing"), and as amended by Amendment No. 1 on Form 10-KSB/A filed on August 16, 2001, solely for the purpose of revising Part II, Items 6 and 7, to amend and restate the disclosure with respect to our accounting for shares issued to, and subsequently recovered from, certain non-performing consultants during 1999 and 2000. The historical financial statements generated by predecessor management reflected an expense upon issuance of the shares and a reversal of this expense when it was deemed (through a settlement agreement or judgment) that these shares would be returned. However, after further analysis and consultation with the Securities and Exchange Commission, it was determined to be inappropriate to recognize the initial expense and its subsequent reversal as no services were rendered by these consultants. Instead, the issuance of these shares will be reflected as temporary equity, together with a related receivable, until the shares were returned. The net decrease to cumulative after-tax income of approximately $510,000 relates to shares issued in 1999 that were expected to be returned but, for various reasons, cannot be obtained. Such amounts will continue to be reflected as expense in the year granted and our revised statements will no longer reflect the reversal of this expense.

In addition, in connection with the filing of this Amendment and pursuant to the rules of the Securities and Exchange Commission, we are including with this Amendment a currently dated consent of our independent public accountants and certain currently dated certifications.

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

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PART II

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW

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

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

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

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

FISCAL 2000 OPERATIONS

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

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

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

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

RESULTS OF OPERATIONS

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

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

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

Sales and marketing expenses for Fiscal 2000 were $1,619,113 as compared to $2,613,338 for the Fiscal 1999. The increase was principally the result of expended marketing due to the operations of Telco. The marketing expenses are attributed to our direct response marketing, which is our primary source of attracting new customers.

General and administrative expenses for Fiscal 2000 was $4,804,710 as compared to $1,731,209 for Fiscal 1999. The increase was principally the result of billing fees due to the operations of Telco and the increase in consulting fees, legal fees, and accounting fees. The general expenses are attributed to the additional costs to become current on our SEC filings and substantial legal fees to negotiate with the FTC.

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

At Fiscal 2000 we had unused Federal net operating losses of $2,296,723 available under Internal Revenue Code 382 - change in control rules expiring from 2011 through 2014. The Company has no available net operating loss carryforwards under the separate return limitation year and has unavailable net operating loss carryforwards of $2,296,723. The Company may utilize the unavailable net operating loss carryforwards of $2,296,723 upon generating taxable income in YP.Net, Inc rather than in the company's wholly owned subsidiary Telco Billing, Inc.

Net profits for Fiscal 2000 were $3,436,127, or $.09 per share, compared to losses of $3,262,598, or ($.15) per share for Fiscal 1999.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

We incurred debt in the acquisition of the license right to the Yellow-Page.Net URL. A total of $4,000,000 was borrowed, $2,000,000 from Joseph and Helen VanSickle and $2,000,000 as a carry-back from Matthew & Markson Ltd. Management has dedicated payments in the amount of $100,000 per month for the payment of the VanSickle note. Management has also dedicated payments to the Matthew & Markson note in the amount of $100,000 per month, with the provision that no payment be made if YP.Net has less than 30 days operating capital reserved, or if it is in an uncured default with any of its lenders. A total of 4,500,000 shares were issued to secure these notes and are held in escrow.

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

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

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

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

ITEM 7. FINANCIAL STATEMENTS

YP.NET, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board
of Directors of YP Corp.:

We have audited the accompanying consolidated balance sheet of YP Corp. and subsidiaries as of September 30, 2000 and the related statements of operations, stockholders' equity and cash flows for the each of the two years in the period then ended. 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 audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of YP Corp. and subsidiaries as of September 30, 2000, and the consolidated results of its operations and cash flows for each of the two years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Company restated its financial statements for the years ended September 30, 2000 and 1999.

/s/ Epstein, Weber & Conover, PLC
Scottsdale, Arizona
December 20, 2000
(except for the restatement of financial statements
described in Note 1, for which the date is November 18, 2005)

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YP.NET, INC.

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2000

ASSETS:

CURRENT ASSETS		
Cash	$	219,613
Accounts receivable, net of allowance of $1,796,852		3,705,881
Customer acquisition costs, net of accumulated amortization of $2,975,678		230,898
Prepaid expenses and other assets		99,229
Deferred income taxes		771,382
Total current assets		5,027,003
PROPERTY AND EQUIPMENT, net		502,708
DEPOSITS		13,287
INTELLECTUAL PROPERTY- URL, net of accumulated amortization of $630,833		4,379,167
DEFERRED FINANCING COSTS		21,250
RECEIVABLE - COMMON STOCK TO BE RETURNED		1,689,239
TOTAL ASSETS	$	11,632,654
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	$	103,015
Accrued liabilities		328,128
Line of credit		1,577,547
Notes payable - current portion		2,370,019
Income taxes payable		260,427
Total current liabilities		4,639,136
DEFERRED INCOME TAXES		105,868
Total liabilities		4,745,004
COMMITMENTS AND CONTINGENCIES		-
TEMPORARY EQUITY - Common stock to be returned, 1,525,000 shares issued and outstanding		1,689,239
STOCKHOLDERS' EQUITY:		
Series B preferred stock, $.001 par value, 2,500,000 shares designated, 1,500,000 issued		1,500
Common stock, $.001 par value, 50,000,000 shares authorized, 39,035,464 issued and outstanding		39,036
Paid in capital		4,081,399
Treasury stock at cost		(69,822)
Retained earnings		1,146,298
Total stockholders' equity		5,198,411
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	11,632,654

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, 2000 AND SEPTEMBER 30, 1999

	2000	1999
NET REVENUES	$ 15,836,422	$ 8,572,185
OPERATING EXPENSES:		
Cost of services	5,234,906	4,760,026
General and administrative expenses	4,804,710	1,731,209
Sales and marketing expenses	1,619,113	2,345,873
Depreciation and amortization	616,660	192,469
Total operating expenses	12,275,539	9,029,577
OPERATING INCOME/(LOSS)	3,561,033	(457,392)
OTHER (INCOME) AND EXPENSES		
Interest expense	853,761	410,319
Interest income	(802)	(5,401)
Other Income	(82,846)	-
Total other expense	770,113	404,918
INCOME/(LOSS) BEFORE DISCONTINUED OPERATIONS AND INCOME TAXES	2,790,920	(862,310)
INCOME TAX (BENEFIT) PROVISION	(645,207)	240,119
INCOME/(LOSS) FROM CONTINUING OPERATIONS	3,436,127	(1,102,429)
LOSS FROM DISCONTINUED OPERATIONS		
Loss from operations of medical billing services segment (no effect for income taxes)	-	(221,194)
Loss from abandonment of medical billing services segment (no effect for income taxes)	-	(1,671,510)
Total	-	(1,892,704)
NET INCOME/(LOSS)	$ 3,436,127	$ (2,995,133)
NET INCOME/(LOSS) PER SHARE:		
Basic:		
Continuing operations	$ 0.09	$ (0.05)
Discontinued operations	-	(0.09)
Total Basic	$ 0.09	$ (0.13)
Diluted:		
Continuing operations	$ 0.09	$ (0.05)
Discontinued operations	-	(0.09)
Total Diluted	$ 0.09	$ (0.13)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	40,120,829	22,223,757
Diluted	40,120,829	22,223,757

The accompanying notes are an integral part of these consolidated financial statements. Per share amounts may not total due to rounding of individual components.

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YP.NET, INC.

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

	COMMON STOCK		PREFERRED A		TREASURY	PAID-IN	ACCUMULATED	
	SHARES	AMOUNT	SHARES	AMOUNT	STOCK	CAPITAL	DEFICIT	TOTAL
BALANCE OCTOBER 1, 1998	17,000,000	$ 17,000	-	$ -	$ -	$ -	$ 972,769	$ 989,769
Reverse merger	14,714,603	14,715			(69,822)	1,777,670		1,722,563
Common stock issued for service rendered	769,500	770				1,043,319		1,044,089
Common stock issued for cash	847,750	848				627,985		628,833
Common stock issued as collateral for on note payable	2,000,000	2,000				(2,000)		0
Common stock placed in escrow as collateral on debt	2,500,000	2,500				(2,500)		0
Employee preferred stock grants			1,700,000	1,700		(1,700)		0
Conversion of debt	400,000	400				349,600		350,000
Net loss							(3,262,598)	(3,262,598)
BALANCE SEPTEMBER 30, 1999	38,231,853	$ 38,232,	1,700,000	$ 1,700	$ (69,822)	$3,792,374	$ (2,289,829)	1,472,655

(CONTINUED)

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, 2000 AND SEPTEMBER 30, 1999 (CONTINUED)

	COMMON STOCK		PREFERRED A		TREASURY	PAID-IN	ACCUMULATED	
	SHARES	AMOUNT	SHARES	AMOUNT	STOCK	CAPITAL	DEFICIT	TOTAL
BALANCE OCTOBER 1, 1999	38,231,853	$ 38,232	1,700,000	$ 1,700	$ (69,822)	$3,792,374	$ (2,289,829)	$1,472,655
Common stock issued for exercised options	53,611	54				84,275		84,329
Common stock issued as board of directors' fees	550,000	550				114,950		115,500
Common stock issued to former officer to convert preferred shares and as final compensation settlement	200,000	200	(200,000)	(200)		89,800		89,800
Net income							3,436,127	3,436,127
BALANCE SEPTEMBER 30, 2000	39,035,464	$ 39,036	1,500,000	$ 1,500	$ (69,822)	$4,081,399	$ 1,146,298	$5,198,411

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

YP.NET, INC.

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

CASH FLOWS FROM OPERATING ACTIVITIES:	2000	1999
Net income/(loss)	$ 3,436,127	$ (3,262,598)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss from discontinued operations	-	221,194
Loss on abandonment of net assets of discontinued operations	-	1,671,510
Depreciation and amortization	144,993	30,338
Issuance of common stock as compensation for services	205,300	1,045,783
Loss on disposal of equipment	-	89,319
Deferred income taxes	(645,207)	(20,307)
Conversion of accrued interest to common stock	-	100,000
Provision for Uncollectible Accounts	1,590,840	-
Amortization of intellectual property	471,667	149,166
Changes in assets and liabilities (net of business acquisitions and divestures):		
Trade and other accounts receivable	(4,345,544)	(124,826)
Customer acquisition costs	403,002	(264,981)
Other receivables	77,182	(32,671)
Prepaid and other current assets	(84,579)	(9,616)
Other assets	-	49,525
Accounts payable	48,014	(71,348)
Accrued liabilities	(119,232)	202,118
Deferred Financing Costs	102,500	-
Income taxes payable	-	260,427
Deferred revenue	(324,760)	324,760
Cash provided by continuing operations	960,303	357,793
Cash used by discontinued operations	-	(1,049,573)
Net cash provided/(used) by operating activities	960,303	(691,780)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(211,803)	(230,662)
Purchase of intellectual property	-	(3,000,000)
Cash acquired in business acquisition	-	3,124,150
Net cash (used in) investing activities	(211,803)	(106,512)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on line of credit	789,241	788,306
Principal repayments on notes payable	(1,657,781)	(394,623)
Proceeds from sale of common stock	84,329	629,681
Net cash (used)/provided by financing activities	(784,211)	1,023,364
(DECREASE)/INCREASE IN CASH	(35,711)	225,072
CASH, BEGINNING OF YEAR	255,324	30,252
CASH, END OF YEAR	$ 219,613	$ 255,324

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

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YP.NET, INC.

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

SUPPLEMENTAL CASH FLOW INFORMATION:

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

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

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

YP.NET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

1. ORGANIZATION AND BASIS OF PRESENTATION

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

Telco was formed in April 1998, to provide advertising and directory listings for businesses on its Internet web site in a "Yellow Page" format.

Telco provides those services to its subscribers for a monthly fee. These services are provided primarily to all business throughout the United States. Telco became a wholly owned subsidiary of YP.Net, Inc. after the June 16, 1999 acquisition.

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and includes the accounts and results of operations of the Company and Telco, its wholly owned subsidiary, for the year ended September 30, 2000. The consolidated results of operations and cash flows for the year ended September 30, 1999 include that of Telco for the year ended September 30, 1999, and YP.Net (formerly RIGL) from the June 16, 1999 acquisition date through September 30, 1999. At the time that the transaction was agreed to, the Company had 12,567,770 common shares issued and outstanding. As a result of the merger transaction with Telco, there were 29,567,770 common shares outstanding, and the former Telco stockholders held approximately 57% of the Company's voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Telco, under the purchase method of accounting, and was treated as a recapitalization with Telco as the acquirer. Accordingly, the historical financial statements have been restated after giving effect to the June 16, 1999, acquisition of the Company. The financial statements have been prepared to give retroactive effect to October 1, 1998, of the reverse acquisition completed on June 16, 1999, and represent the operations of Telco. Consistent with reverse acquisition accounting: (i) all of Telco's assets, liabilities, and accumulated deficit, are reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) are reflected at their net asset value as if issued on June 16, 1999.

Restatement of Financial Statements

Subsequent to the issuance of the Company's financial statements as of September 30, 2000, and the year then ended, the Company determined that the accounting for its common stock issued to, and subsequently recovered from, certain non-performing consultants during 2000 should not have been expensed when originally issued as had been previously reported. The subsequent recovery of these shares was recorded as an item in other income at the same value at which they were originally issued. It has been determined to be inappropriate to recognize the initial expense and its subsequent reversal as no services were rendered by these consultants. Instead, the issuance of these shares will be reflected as temporary equity, together with a related receivable, until the shares were returned. The change in accounting has the effect in the year ended September 30, 2000 of an increase in net income of $588,150 from $2,847,977 to $3,436,127 and an increase in the net income per share from per share from $0.07 to $0.09. The change in accounting had no effect on cash flows or on the net equity at September 30, 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash includes all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. At times cash deposits may exceed government insured limits. At September 30, 2000, cash deposits exceeded those insured limits by $110,000.

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

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

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

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

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

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

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

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

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

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

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

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

Temporary Equity: During fiscal 1999 and 2000, the Company issued 925,000 shares and 600,000 shares, respectively, to consultants and other third parties whereupon it was subsequently determined that the consultants did not perform under the terms of the related agreements. The Company has pursued legal action against the consultants and third parties and expect the shares to be retrieved. The value of such shares, totaling $1,689,239, was not recorded as expense but rather is reflected as temporary equity, together with a related receivable, in the accompanying consolidated balance sheet until such times that the shares are retrieved.

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

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

3. ACCOUNTS RECEIVABLE

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

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

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

Trade subscription receivables, which are directly administered and carried by the Company, are valued and reported at net realizable value, the net amount expected to be received. This amount may or may not be necessarily the amount received. Determining the net realizable value requires an estimation of both uncollectible accounts or any returns and allowances. The net trade subscriptions receivable at September 30, 2000 was $32,247. The Company experienced significant dilution from the billing companies during the year ended September 30, 2000. The billing companies began increasing their holdbacks on billing submittals because of submittals being rejected by the LEC's due to incompatible billing information. The Company has attempted to resolve these matters with the billing companies. The Company has resubmitted billing company rejections of $862,000 subsequent to September 30, 2000, that relate to services provided prior to September 30, 2000. This amount is included in the gross accounts receivable balances at September 30, 2000. The Company's management believes that problems associated with the billing information have been resolved and that the collection of these receivables, net of applicable reserves, will occur in the normal course of the Company's operations

4. INTELLECTUAL PROPERTY

In connection with the Company's acquisition of Telco, the Company was required to provide accelerated payment of license fees for the use of the Internet domain name or Universal Resource Locator (URL) Yellow-page. net. Telco had previously entered into a 20-year license agreement for the use of the URL with one of its two 50% stockholders. The original license agreement required annual payments of $400,000. However, the agreement stated that upon a change in control of Telco, a $5,000,000 accelerated payment is required to maintain the rights under the licensing agreement. The URL holder agreed to discount the accelerated payments from $8,000,000 to $5,000,000 at the time of the acquisition. The Company agreed to make that payment upon effecting the acquisition of Telco.

The Company made a $3,000,000 cash payment and issued a note payable for $2,000,000 to acquire the licensing rights of the URL. The Company also issued 2,000,000 shares of its common stock to be held as collateral on the note. The note payable was originally due on July 15, 1999. The Company failed to make the $2,000,000 payment when due. The repayment terms were renegotiated to extend the due date to January 15, 2000. An extension fee of $200,000 was paid by the Company at that time. The Company again renegotiated the repayment terms on April 26, 2000, to a demand note, with monthly installments of $100,000 subject to all operating requirements, which, management believes, have subsequently been met by the Company. The URL is recorded at its cost net of accumulated amortization. Management believes that the Company's business is dependent on its ability to utilize this URL given the recognition of the Yellow page term. Also, its current customer base relies on the recognition of this term and URL as a basis for maintaining the subscriptions to the Company's service. Management believes that the current revenue and cash flow generated through use of Yellow-page.net substantiates the net book value of the asset. The Company will periodically analyze the net book value of this asset and determine if an impairment has occurred. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was $471,667 and $149,166 for the years ended September 30, 2000 and 1999 respectively.

5. PROPERTY AND EQUIPMENT

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

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

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

6. NOTES PAYABLE AND LINE OF CREDIT

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

1,7000,000 Revolving line of credit, interest at the prime rate plus 6% (15.5% at September 30, 2000). The facility is limited to 70% of eligible accounts receivable. All assets of the Company collateralize the credit facility. The credit facility expires on February 4, 2001 under the amended forbearance agreement.	$	1,577,547
Term loan from bank. Original balance of $40,525. Repayment terms require monthly installments of principal and interest of $1,844. Interest at 8.5% per annum. Due January 13, 2001. Collateralized by equipment.		5,503
Note payable to stockholders, original balance of 2,000,000, interest at 10% per annum. Repayment terms require monthly installments of $100,000 plus interest. Due January 11, 2001. Collateralized by 2,000,000 shares of the Company's common stock.		600,000
Note payable to former Telco shareholder for balance of URL purchase price (Note 4). Repayment terms require monthly installments of principal and interest at 20% per annum of $100,000 and due upon demand. Collateralized by 2,000,000 shares of the Company's common stock		1,764,516
Totals		3,947,566
Less current portion		(3,947,566)
Long-term portion	$	-0-

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

7. BUSINESS COMBINATION

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

8. DISCONTINUED OPERATIONS

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

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

9. PROVISION FOR INCOME TAXES

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

At September 30, 2000 the Company has unused Federal net operating losses of $3,985,962 available under Internal Revenue Code 382 - change in control rules expiring from 2011 through 2014. The Company has no available net operating loss carryforwards under the separate return limitation year and has unavailable net operating loss carryforwards of $2,029,258. The Company may utilize the unavailable net operating loss carryforwards of $2,029,258 upon generating taxable income in that operating entity.

Prior to the acquisition date of June 16, 1999 RIGL agreed to assume the tax liability of Telco for the taxable income generated prior to June 16, 1999. The provision for income taxes for the year ended September 30, 1999, is computed based on the pretax income generated prior to the acquisition of Telco. The current income tax provision of $260,427, less a net deferred benefit $20,478, related to Telco for the year ended September 30, 1999, has been included in the statement of income.

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

	2000	1999
Current Provision (Benefit)	$ 1,762,649	$ (1,246,486)
Deferred Benefit (Provision)	(2,407,856)	1,486,177
Net income tax (benefit) provision	$ (645,207)	$ 240,119

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

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

	2000		1999	
Federal statutory rates	$ 948,913	34%	$ 1,027,643)	(34)%
State income taxes	167,455	6%	(241,798)	(8)%
Utilization of valuation allowance	(1,762,649)	(63)%	-	
Provision due to income generated prior to merger	-		260,597	6%
Valuation allowance for operating loss carryforwards			1,232,077	42%
Other	1,074	-	16,886	-
Effective rate	$ (645,207)	(23)%	$ 240,119	6%

Deferred tax assets totaling $1,438,797 are comprised of $665,514 for differences in book and tax bases of accounts receivable and intangible assets and approximately $773,283 relates to net operating loss carryforwards which is offset by a an equal valuation allowance resulting in a net deferred income tax asset of $665,514. The valuation allowance was provided due to the uncertainty of future realization of federal and state net operating loss carryforwards that give rise to approximately $773,283 of the deferred tax asset because of restrictions on the utilization of such carryforwards due to the change in control rules under Internal Revenue Code Section 382. The valuation allowance decreased $1,305,260 in the year ended September 30, 2000, due to resolution of uncertainties as to the Company's ability to generate sufficient taxable income to utilize the net operating loss carryforwards that could be utilized.

10. LEASES

The Company leases its office space under long-term operating leases expiring through 2003. Rent expense under these leases was $176,637 and $87,250 for the years ended September 30, 2000 and 2001. However, as part of an agreement with the sub lessee of one of the properties, the Company paid $124,000 in the form of shares of the Company's common stock to that sub lessee. That amount was capitalized and is being amortized over the remaining term of the lease. Rent expense for the year ended September 30, 2000 includes $40,000 for the amortization of that capitalized amount. The Company consolidated office space from a variety of locations to a single facility in the year ended September 30, 1999. The Company has subleased the former Telco office space.

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

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

11. STOCKHOLDERS' EQUITY

Telco Acquisition

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

Actions of the Board

Significant blocks of stock have been issued to former officers and consultants for services rendered. It is not possible to determine the effect, if any, of bringing current the required Exchange Act of 1934 ("the 1934 Act") filings and the financial statements and disclosures contained therein, may have on the actions of current or former shareholders of the Company affected by these transactions. The value of those shares was determined based on the trading value of the stock at the dates on which the agreements were made for the services. The expense for that consideration is 90% of the trading value of the shares to factor in a discount for the regulatory restrictions on trading of those shares. During the year ended September 30, 2000, the Company issued 500,000 shares of common stock to consultants valued at $463,950. During the year ended September 30, 1999, the Company issued 769,500 shares to former officers and consultants valued at $1,044,089. These amounts exclude 1,525,000 shares valued at $1,689,239 that were issued to non-performing consultants and third parties in 1999 and 2000 for which such shares are expected to be retrieved. The Company has reflected the value of these shares as temporary equity outside of permanent stockholders' equity, together with a corresponding receivable in the accompanying consolidated balance sheet.

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

Effects of Delinquent Filings on Market Activity

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

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

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

Other

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

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

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

All of the above transactions were effected by the issuance of restricted common stock. The estimated value was determined to be 90% the closing price of the common stock at the date of the transaction. The Company granted 1,700,000 shares of Series B preferred stock to certain employees during the year ended September 30, 1999. The Series B preferred stock has no stated dividend. The preferred shares are convertible to common stock at the option of the holder. The shares are convertible at varying rates depending upon the trading price of the common stock at the time of conversion. The initial conversion rate is one share of common for each share of preferred. Conversion may not occur until certain "trigger events" occur and all rights with respect to the preferred shares terminate on November 30, 2004. "Trigger events" are defined as trading prices of the Company's common stock reaching or exceeding $5 through $10 per share and net income reaching or exceeding $5,000,000. No value was assigned to the preferred shares in the accompanying balance sheet nor was any compensation expense recognized for the year ended September 30, 2000, because the preferred shares were not exercisable at the time of issuances because of the failure of the Company to meet the "trigger events". Subsequently, management has cancelled the Series B preferred stock and rescinded those issuances. However, all shares of the Series B preferred stock were not yet returned at September 30, 2000.

12. COMMITMENTS AND CONTINGENCIES

Telco Billing

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

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

Billing Service Agreements

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

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

United States Federal Trade Commission (FTC)

The Company was a subject of an FTC investigation pertaining to claims made of deceptive marketing practices. The Company believes that it has reached a tentative agreement with the FTC requiring the Company to make certain changes to mailing and promotional materials and notify certain customers that a refund of past paid service fees is available. On the basis of the proposed settlement, the Company would be required to notify approximately 11,000 customers. Each of those customers may receive a refund of up to $12.50. Management does not believe that the refunds will be material based on prior experience with such matters and the documentation requirements by customers to receive refunds. The Company may also be required to pay certain expenses incurred in the FTC investigation. The Company intends to contest payment of these expenses but believes that if such is a requirement of any final settlement with the FTC, the amount could range from $50,000 to $70,000.

13. NET INCOME (LOSS) PER SHARE

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

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

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

	2000			1999		
	Income	Shares	Per Share	(Loss)	Shares	Per share
BASIC AND DILUTED EARNINGS PER SHARE:						
Net Income (Loss)	$ 3,436,127	30,120,829	$ 0.09	$ (3,262,598)	22,223,757	$ (0.15)
Discontinued operations	-	-	-	1,892,704	22,223,757	$ (0.09)
Income Loss from continuing operations	$ 3,436,127	30,120,829	$ 0.09	(1,369,894)	22,223,757	$ (0.06)

14. RELATED PARTY TRANSACTIONS

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

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

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

15. CONCENTRATION OF CREDIT RISK

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

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

16. STOCK BASED COMPENSATION

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

		1999
Net Loss - as reported	$	(3,262,598)
Net Loss - pro forma	$	(4,291,586)
Loss per share - as reported	$	(0.15)
Loss per share - pro forma	$	(0.19)

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

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

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

Under the Employee Incentive Stock Option Plan approved by the stockholders in 1998, the total number of shares of common stock that may be granted is 1,500,000. The plan provides that shares granted come from the Corporation's authorized but unissued common stock. The price of the options granted pursuant to this plan shall not be less than 100 percent of the fair market value of the shares on the date of grant. The options expire from five to ten years from date of grant. At September 30, 2000, the Company had granted an aggregate of 1,212,000 options under this plan.

In addition to the Employee Incentive Stock Option Plan, the Company will occasionally grant options to consultants and members of the board of directors under specific stock option agreements. There were no such options granted in the years ended September 30, 2000 and 1999. During the year ended September 30, 1999, the Company granted 1,212,000 options to certain key employees. These options all were immediately vested. These options were granted at exercise prices of $1.00 to $2.50 the fair market value of the underlying shares on the date of grant. The options expire five years from date of grant. The summary of activity for the Company's stock options is presented below:

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

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

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

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

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

17. EMPLOYEE BENEFIT PLAN

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

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

Subsequent to filing the interim financial statements included on Form 10-QSB for the periods ending December 31, 1998, March 31, 1999, June 30, 1999, December 31, 1999, March 31, 2000, and June 30, 2000, the Company has changed its accounting treatment of shares issued to non-performing consultants. The previously filed interim statements reflected an expense upon issuance of the shares and a reversal of this expense when it was deemed (through a settlement agreement or judgment) that these shares would be returned. However, after further analysis and consultation with the Securities and Exchange Commission, it was determined to be inappropriate to recognize the initial expense and its subsequent reversal as no services were rendered by these consultants. Instead, the issuance of these shares will be reflected as temporary equity, together with a related receivable, until the shares were returned. Such treatment is described in Notes 2 and 11.

The following table sets forth the impact of this change on the following three month periods:

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	Quarter Ended			
	December 31, 1999	March 30, 2000	June 30, 2000	September 30, 2000
Quarterly Data Per 10-Q Filings				
Net revenues	$ 2,297,480	$ 3,826,077	$ 4,247,263	na
Gross profit	1,221,995	2,172,961	2,008,425	na
Net income (loss)	(637,515)	1,151,920	1,032,809	na
Earnings (loss) per share information:				
Basic	$ (0.02)	$ 0.03	$ 0.03	na
Diluted	$ (0.02)	$ 0.03	$ 0.03	na
Revised Quarterly Data				
Net revenues	$ 2,297,480	$ 3,826,077	$ 4,247,263	$ 5,465,602
Gross profit	1,221,995	2,172,961	2,008,425	5,198,135
Net income (loss)	(49,366)	1,151,921	1,032,809	1,300,764
Earnings (loss) per share information:				
Basic	(0.00)	$ 0.03	$ 0.03	$ 0.03
Diluted	(0.00)	$ 0.03	$ 0.03	$ 0.03

	Quarter Ended			
	December 31, 1998	March 30, 1999	June 30, 1999	September 30, 1999
Quarterly Data Per 10-Q Filings:				
Net revenues	$ 290,087	$ 344,515	$ 1,439,760	na
Gross profit	290,087	341,709	950,660	na
Income (loss) before discontinued operations	(616,641)	(653,697)	(238,953)	na
Net income	(616,641)	(653,697)	(738,953)	na
Earnings per share information:				
Basic:				
Income (loss) per share before discontinued operations	$ (0.05)	$ (0.05)	$ (0.04)	na
Net loss per share	$ (0.05)	$ (0.05)	$ (0.04)	na
Diluted:				
Income (loss) per share before discontinued operations	$ (0.05)	$ (0.05)	$ (0.03)	na
Net loss per share	$ (0.05)	$ (0.05)	$ (0.03)	na
Revised Quarterly Data:				
Net revenues	$ 290,087	$ 344,515	$ 1,439,760	$ 6,497,823
Gross profit	290,087	341,709	950,660	3,177,570
Income (loss) before discontinued operations	(506,641)	(653,697)	(238,953)	29,397
Net loss	(506,641)	(653,697)	(738,953)	(1,363,307)
Earnings per share information:				
Basic:				
Income (loss) per share before discontinued operations	$ (0.04)	$ (0.05)	$ (0.04)	$ 0.00
Net loss per share	$ (0.04)	$ (0.05)	$ (0.04)	$ (0.04)
Diluted:				
Income (loss) per share before discontinued operations	$ (0.04)	$ (0.05)	$ (0.03)	$ 0.00
Net loss per share	$ (0.04)	$ (0.05)	$ (0.03)	$ (0.04)

* * * * * *

PART III

ITEM 13. EXHIBITS

The following exhibits are attached hereto.

Exhibit Number	Description
23	Consent of Epstein, Weber and Conover P.L.C
31	Certification pursuant to SEC Release No. 33-8238, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

Dated: November 30, 2005

/s/ Peter J. Bergmann
Peter J. Bergmann, Chief Executive Officer

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
YP Corp.:

We consent to the incorporation by reference in the registration statements of YP Corp., f/k/a YP.Net, Inc., on Form S-8 (File No. 333-107721) filed as of August 7, 2003, of our report dated December 20, 2000, on the consolidated balance sheet of YP Corp. as of September 30, 2000 and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for each of the years in the two-year period ended September 30, 2000, which report appears in YP Corp.'s Annual Report on Form 10-KSB/A (Amendment No. 2).

/s/ Epstein, Weber & Conover P.L.C.

Scottsdale, Arizona
November 30, 2005

Exhibit 31

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

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

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

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

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

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

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

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

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

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

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

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

Date: November 30, 2005

/s/ Peter J. Bergmann

Peter J. Bergmann
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, W. Chris Broquist, Chief Financial Officer of YP Corp., certify that:

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

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

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

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

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

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

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

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

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

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

Date: November 30, 2005

/s/ W. Chris Broquist

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

Exhibit 32

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

I, Peter J. Bergmann, the Chairman, President, Chief Executive Officer of YP Corp., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of YP Corp. on Form 10-KSB/A for the fiscal year ended September 30, 2000 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/A fairly presents in all material respects the financial condition and results of operations of YP Corp.

Date: November 30, 2005

/s/ Peter J. Bergmann
Peter J. Bergmann
Chief Executive Officer

I, W. Chris Broquist, the Chief Financial Officer of YP Corp., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of YP Corp. on Form 10-KSB/A for the fiscal year ended September 30, 2000 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/A fairly presents in all material respects the financial condition and results of operations of YP Corp.

Date: November 30, 2005

/s/ W. Chris Broquist
W. Chris Broquist
Chief Financial Officer