

U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2000

Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act

For the transition period from _____ to _____

Commission File Number 0-24217

YP.NET, INC.

(Exact name of small business issuer as specified in its charter)

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

4840 East Jasmine St. Suite 105
Mesa, Arizona 85205
(Address of principal executive offices)

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

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
--- ---

The number of shares of the issuer's common equity outstanding as of
December 31, 2000 was 41,450,798 shares of common stock, par value \$.001.

Transitional Small Business Disclosure Format (check one):

Yes No
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YP.NET, INC.
INDEX TO FORM 10-QSB FILING
FOR THE QUARTER ENDED DECEMBER 31, 2000

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

YP.NET, INC.
CONSOLIDATED COMPARATIVE BALANCE SHEETS
AS OF DECEMBER 31, 2000 and SEPTEMBER 30, 2000
ASSETS

	DECEMBER 31, 2000 (unaudited) <C>	SEPTEMBER 30, 2000 <C>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 269,331	\$ 219,613
Accounts Receivable	3,958,769	3,705,881
Prepaid Expenses	305,132	120,479
Direct Response Marketing - Net	92,052,	230,898
Deferred income taxes	771,382	771,382
	-----	-----
TOTAL CURRENT ASSETS	5,396,666	5,048,253
	-----	-----
PROPERTY AND EQUIPMENT:		
Furniture and Fixtures	197,260	-0-
Equipment & Computer Equipment	248,487	763,255
Leasehold Improvements	317,507	-0-
LESS: Accumulated Depreciation and Amortization	(292,708)	(260,547)
	-----	-----
TOTAL PROPERTY AND EQUIPMENT	470,546	502,708
	-----	-----
OTHER ASSETS:		
Intangible Assets	5,010,000	5,010,000
Deposits	13,287	13,287
LESS: Accumulated Amortization	(744,583)	(630,833)
	-----	-----
TOTAL OTHER ASSETS	4,749,250	4,392,454
	-----	-----
TOTAL ASSETS	\$10,145,916	\$9,943,415
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Trade Accounts Payable	\$ 610,803	\$ 103,015
Income Taxes Payable	498,438	260,427
Accrued Expenses	138,735	328,128
Finova Line-Of-Credit - Note 1	1,196,977	1,577,547
Short-Term Notes Payable - Note 2	300,000	2,370,019
	-----	-----
TOTAL CURRENT LIABILITIES	2,744,953	4,639,136
	-----	-----
LONG-TERM LIABILITIES:		
Long-Term Notes Payables - Note 3	1,628,588	-0-
Deferred income taxes	105,868	105,868
	-----	-----
TOTAL LONG-TERM LIABILITIES	1,734,456	105,868

TOTAL LIABILITIES	4,479,409	4,745,004
STOCKHOLDER' EQUITY:		
Common Stock \$.001 par value, 50,000,000 shares 40,615,464 and 40,560,464 issued and outstanding For December 31, 2000 and September 30, 2000	40,836	40,561
Additional Paid In Capital	5,828,537	5,769,113
Treasury Stock	(179,822)	(69,822)
Preferred Stock - Class B. \$.001 par value 2,500,000 shares designated 1,500,000 issued and outstanding for December 31, 2000 and September 30, 2000.	1,500	1,500
Retained Deficit	(24,544)	(542,941)
TOTAL STOCKHOLDERS' EQUITY	5,666,507	5,198,411
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,145,916	\$9,943,415

</TABLE>

See the accompanying notes to these unaudited financial statements

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YP.NET, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

	THREE MONTH ENDED DECEMBER 31, 2000	THREE MONTH ENDED DECEMBER 31, 1999
	(unaudited)	
<S>	<C>	<C>
INCOME		
Revenue	\$ 4,526,623	\$ 2,297,480
COST OF SALES	2,886,352	1,075,485
GROSS PROFIT	1,640,271	1,221,995
SELLING EXPENSES	10,806	19,798
GENERAL AND ADMINISTRATIVE	567,896	1,534,859
DEPRECIATION AND AMORTIZATION	145,913	155,248
TOTAL EXPENSES	724,615	1,709,905
EARNINGS (LOSS) FROM OPERATIONS	915,656	(487,910)
OTHER INCOME (EXPENSE)		
Other Income	9,436	22,043
Interest Income/(Expense)	(168,685)	(171,648)
TOTAL OTHER INCOME (EXPENSE)	(159,249)	(149,605)
Net Income (Loss) Before Income Taxes	756,407	(637,515)
Provisions for Income Taxes	238,011	-0-
NET INCOME (LOSS)	\$ 518,396	\$ (637,515)
EARNINGS (LOSS) PER SHARE:		
Basic Earnings (Loss) Per Share	\$ 0.01	\$ (0.02)

WEIGHTED AVERAGE NUMBER OF COMMON	40,643,742	40,050,748
	=====	=====
SHARES OUTSTANDING		
Diluted Earnings (Loss) Per Share	\$ 0.01	\$ (0.02)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON	40,643,742	40,050,748
	=====	=====
AND COMMON SHARE EQUIVALENTS OUTSTANDING		

</TABLE>

See the accompanying notes to these unaudited financial statements

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YP.NET, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

	THREE MONTHS ENDED DECEMBER 31, 2000	THREE MONTHS ENDED DECEMBER 31, 1999
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES	(unaudited)	
Net Income	\$ 518,396	\$ (637,515)
Adjustments to reconcile net income to net cash used by operating activities.		
Depreciation and amortization	32,163	35,248
Officers paid with common stock	59,700	737,478
Common stock surrendered	(110,000)	-0-
Amortization of intellectual property	113,750	120,000
Income tax expense	238,011	-0-
(Increase) decrease in assets		
Trade accounts receivable	(252,887)	(570,952)
Customer acquisition costs	138,846	192,825
Other Receivables		77,182
Prepaid and other current assets	(184,653)	(116,231)
Other assets	-0-	34,449
Increase (decrease) in liabilities		
Trade accounts payable	507,786	16,158
Accrued liabilities	(189,466)	(126,004)
Deferred revenue	-0-	(81,190)
	-----	-----
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	871,646	(318,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-0-	(153,245)
	-----	-----
NET CASH USED BY INVESTING ACTIVITIES	-0-	(153,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from line of credit	-0-	831,708
Principal repayments on notes payable	(821,928)	(450,665)
	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(821,928)	381,043
NET INCREASE (DECREASE) IN CASH	49,718	(90,753)
CASH AT BEGINNING OF PERIOD	219,613	255,323
	-----	-----
CASH AT END OF PERIOD	\$ 269,331	\$ 164,570

SUPPLEMENTAL CASH FLOW INFORMATION

	2000	1999
Interest paid	\$ 29,973	\$ 37,301

</TABLE>

See the accompanying notes to these unaudited financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

1. Basis of Presentation

The accompanying unaudited financial statements represent the consolidated financial position of YP.Net, Inc. ("Company") as of December 31, 2000 and December 31, 1999 include results of operations of the Company and Telco Billing, Inc. ("Telco"), its wholly owned subsidiary, and cash flows for the three months ended December 31, 2000 and December 31, 1999. These statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions for Form 10-QSB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, all adjustments to these unaudited financial statements necessary for a fair presentation of the results for the interim period presented have been made. The results for the three-month period ended December 31, 2000 may not necessarily be indicative of the results for the entire fiscal year. These financial statements should be read in conjunction with the Company's Form 10-KSB for the year ended September 30, 2000, including specifically the financial statements and notes to such financial statements contained therein.

2. Summary of Significant Accounting Policies

Our accounting policies, and the methods of applying those policies, which affect the determination of its financial position, results of operations or cash flows are summarized below:

Cash and Cash Equivalents

Cash and cash equivalents include all short-term 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.

Principles of Consolidation

The consolidated financial statements include YP.Net and our wholly owned subsidiary, Telco Billing, Inc. All inter-company accounts in consolidation have been eliminated.

Revenue Recognition

Our revenue is generated by customer subscription of directory and advertising services. Revenue is recognized monthly for services subscribed in that specific month. We utilizes outside billing companies to transmit billing data that is forwarded to Local Exchange Carriers ("LECs"). Monthly subscription fees are included on the telephone bills of the LEC customers. We recognizes revenue based on net billings accepted by the LECs.

Fair Value of Financial Instruments

The carrying amounts for cash, investments in marketable securities, trade accounts receivable, trade accounts payable, accrued liabilities and notes payable, approximate their fair value due to the short maturity of these instruments. We have determined that the recorded amounts approximate fair value.

Net Earnings Per Share

Net earnings per share are calculated using the weighted average number of shares of common stock outstanding during the year. We have adopted the provisions of Statement of Financial Accounting Standards 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. This may affect the reported amounts of assets and liabilities and disclosure of 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, we have elected to continue accounting for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25.

3. Business Combination

On June 16, 1999, the Company exchanged 17,000,000 shares of common stock for all of the common stock of Telco. Prior to the acquisition, we 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. After the merger, we ceased our 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.

4. Intangible Asset

In connection with our acquisition of Telco, we are required to provide payment of licensing fees for the use of the Internet domain name or Universal Resource Locator ("URL") Yellow-Page.Net. The URL is recorded at its cost net of

 accumulated amortization. Management believes that the our business is dependent on its ability to utilize this URL given the recognition of the "yellow page" term. Management believes that the current revenue and cash flow generated using the URL Yellow-Page.Net substantiates the net book value of the

 asset. We have periodically analyze the net book value of this asset and determine if impairment has incurred. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement.

5. Notes Payable and Line of Credit

Notes payable are recorded and interest is accrued in accordance with the individual terms of each note. Notes payable at December 31, 2000 were as follows:

Note 1: We entered into an agreement with Finova Capital Corporation for a

 \$3,000,000 revolving line of credit with interest payable at the prime rate plus three percent. The amount available to be drawn under the facility is limited to 80% of eligible accounts receivable. At December 31, 2000 the credit facility had an outstanding balance of \$1,196,977. Assets of the Company,

specifically accounts receivables, collateralize the credit facility. The credit facility expires on August 31, 2003, and the institution may withdraw the line with a notification within 90 days. Finova has given notice that it desires to withdraw its credit facility. Since that time the Company has executed four forbearance agreements dated August 15, 2000, November 3, 2000, January 3, 2001 and February 8, 2001 respectively. Each Forbearance Agreement has reduced the availability of funds to the Company from the credit facility. The January 3, 2001 forbearance reduced the amount available under the credit facility amount to \$1,000,000. The February 8, 2001 forbearance agreement further reduced the credit facility from \$1,000,000 to \$750,000 and provided that the amount that could be drawn under the facility was equal to 100% of the eligible accounts receivable. The Company, with the cooperation of Finova has already reduced the outstanding balance below the new limit prior to signing the February 8, 2001 forbearance. The existing forbearance agreement expires March 8, 2001.

Note 2: We entered into a loan agreement with Mr. Joseph Van Sickle during the
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acquisition of Telco under which Mr. Van Sickle lent \$2,000,000 to us. At December 31, 2000 this note payable had an outstanding balance of \$600,000 of which \$300,000 represents the current portion of the debt. Mr. Van Sickle is a shareholder of the Company and owns approximately one percent of our outstanding stock. Mr. Van Sickle is not a member of management and currently has no position on the Board of Directors of the Company.

Note 3: We entered into an agreement with Matthew & Markson, Ltd., an Antigua
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corporation ("M&M"), in conjunction with the acquisition of Telco for the license of the URL Yellow-Page.Net. We agreed to pay M&M \$5,000,000 under the license agreement for the right to use the URL Yellow-Page.Net for a 20 year
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term. At December 31, 2000 the M&M note payable had an outstanding balance of \$1,628,588. M&M owns approximately 20% of the Company's outstanding stock.

6. Common Stock

Transactions in the Company's common stock issued for the acquisition of assets, products, or services are accounted for at 90% of fair value. Fair value is determined based on the traded closing price of the Company's common stock on the date of the transaction, or the fair value of the asset, product, or service received, whichever is more readily determinable.

7. Income Taxes

We provide 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. The provision for income taxes for interim periods is calculated on the basis of the expected effective rate for the full year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements include, but are not limited to, statements regarding future events and our plans and expectations. Our actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Form 10-QSB or incorporated herein by reference. See "Special Note on Forward-Looking Statements" below.

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
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1999, and because 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 prior 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.

We utilized direct mailings as our primary marketing program. We have experienced some attrition in our customer base since September 2000. At September 31, 2000, we had 130,592 customers subscribing to our services. At December 31, 2000, we had 123,408 customers. We resumed our direct mailing program in February 2001 on a limited basis. We believe the decrease in our customer base for these periods was primarily the result of normal customer attrition and due to our suspension of using our direct mailer solicitation since June 2000. In March 2000, we implemented a customer contact program to attempt to increase our customer satisfaction and decrease customer attrition. This program has provided decreased attrition in our customer base and positive customer satisfaction. We expect to continue this program, or a variation of this program, for the next six months.

Expenditures related to professional fees were significant in the three month period ended December 31, 2000. A significant component of professional fees for this period were the legal fees incurred related to the pending Federal Trade Commission action. If this action is settled, we would expect our professional fees for future periods to be significantly reduced. See "ITEM 1. LEGAL PROCEEDINGS."

Management is actively pursuing rescission and cancellation of certain common and preferred stock that was previously issued for services. Management has offered to settle this dispute for the return of approximately 66% of the disputed shares. If this matter is not favorably settled, legal action regarding the disputed shares may adversely affect our future earnings due to costs of litigation. If we are successful in canceling some or all of these shares, our total outstanding shares will decrease which will positively affect our per share operating results in the future.

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We record the value of services compensated with our common stock at 90% of the trading value of the stock at the dates on which the agreements were made for the services. The 90% valuation amount reflects a discount for the restrictions on trading of those shares. During the three month period we issued 200,000 shares of common stock, valued at \$44,000 to Angelo Tullo, the Chairman of our Board of Directors, and 75,000 shares valued at \$16,500 to Dan Madero, our Director of Operations. All shares issued are vested over 12 months. Prior management issued 856,000 shares of common stock in fiscal year ended September 30, 2000 for various consulting services. We are seeking the rescission of these and other shares issued by prior management.

On October 26, 2000 we retained The Corsi Agency, Inc. to develop and execute an investor relations program which will include providing consulting services related to public, media, consumer and analyst relations. Corsi will also assist in financial communications and corporate imaging. Management intends to utilize Corsi to assist with an update of the investor information portions of our Web sites, as well as delivering more detailed information to the press and public.

On November 1, 2000 we entered into an agreement with Intelligenx, Inc. d/b/a i411.com. Under the agreement we will develop co-branded Web sites utilizing the i411.com directory and i411.com will provide hypertext links from

its other sites that will link to the co-branded directory and our sites. These co-branded sites and directory will be available to our end users. In addition, our sites will contain the "Powered by i411.com" logo and searches on our sites

will utilize the i411.com directory, a search engine infrastructure, which we

believe will increase the functionality of our site. This functionality will be of benefit to our preferred customers in that it will allow for enhanced,

specific searches and perform "key word" searches of our preferred clients' 40 word description of its business, products or services. Management believes this arrangement will provide better services to our preferred customers by enhancing the use of our Web sites and increasing the number of searches performed. Management also believes that this arrangement will attract customers to our current service offering and may lead to additional revenue sources. Under this arrangement, we will be able to offer additional services, such as the availability to more readily set up "Web Stores" for clients and offer credit card processing services. We will be able to increase banner advertising space on our sites and we anticipate generating revenues from advertising both on our current sites and on the co-branded sites developed with i411.com. We will also be able to offer "specialty" yellow page services that will include yellow page advertising developed for specific purpose users.

Management is exploring "partnering" arrangements that will utilize our direct mailers. Management believes that this may be a future additional revenue source and is developing methodologies to pursue this program.

On November 7, 2000 we renegotiated our service arrangement with Ebillit, Incorporated a subsidiary of Integretel, Inc., a billing integrator, that reduced our billing fees from 8% of gross submissions to 2.76% of gross submissions. This new agreement will reduce our costs for billing services and we believe will increase our profitability.

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.

RESULTS OF OPERATIONS

Internet yellow page services are currently the sole source of our revenue. Revenues were \$4,526,633 for three months ended December 31, 2000 as compared to \$2,297,480 for the three months ended December 31, 1999, a 197.03% increase. Until other sources of revenue are developed, our total revenues will be directly dependent upon the number of customers subscribing to our preferred listing service. We are presently seeking other revenue sources.

Cost of sales were \$2,886,352 for three months ended December 31, 2000 as compared to \$1,075,485 for the three months ended December 31, 1999, a 268.38% increase. This increase was primarily a function of our dilution and billing costs that vary with revenue. Cost of sales is comprised of dilution expenses, direct mailer marketing costs, allowances for bad debt and our billing costs. Dilution expenses include customer credits and any other receivable write-downs. Dilution expenses were approximately \$1,679,231 for the three months ended December 31, 2000 as compared to \$456,539 for the three months ended December 31, 1999, a 367.82% increase. The increase in dilutions was also caused by increased utilization by our preferred customers of Competitive Local Exchange Carriers (CLECs) for their local telephone service. Our billing service providers do not currently provide billing services through CLECs. We are currently working with our billing service providers and certain CLECs to develop billing procedures.

Selling expenses, primarily the costs associated with general advertising and market testing of other revenue sources, were approximately \$10,806 for the three months ended December 31, 2000 as compared to \$19,798 for the three months ended December 31, 1999, a 54.58% decrease. This decrease was primarily the result of our curtailing marketing activities pending resolution of our FTC litigation.

General and administrative expenses were \$567,896 for the three months ended December 31, 2000 as compared to \$1,534,859 for the three months ended December 31, 1999 a decrease of 270.80%. For three months ended December 31, 2000, \$299,976 of these costs related to our customer service staffing, which we believe provides better service to our customers. For the three months ended December 31, 1999 a primary component of our general and administrative expenses resulting from consulting expenses of \$737,478. These expenses were generated as a result of common stock issuances to consultants by prior management. For

the three months ended December 31, 2000 our professional fees were approximately \$165,000, a significant amount of which related to defending and negotiating with the FTC related to the allegations of deceptive advertising in the lawsuit brought in June 2000.

Interest expense net of interest income were \$168,685 for the three month ended December 31, 2000 as compared to \$171,648 for the three months ended December 31, 1999. Interest expense was a result of our debt outstanding. Our outstanding debt included debt incurred in connection with the acquisition of the URL Yellow-Page.Net and the reduction in interest expense is due to a

decrease in the amount outstanding under our credit facility with Finova Capital Corporation and to Joseph and Helen Van Sickle.

Net income for was \$518,396 or \$.01 per diluted share for the three months ended December 31, 2000. Net loss was (\$637,515) or (\$.02) per diluted share for the three months ended December 31, 1999.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was \$871,646 for the three months ended December 31, 2000. Revenue was generated solely from providing electronic yellow page preferred listing advertising. Cash from operating activities for the three months ended December 31, 2000 was utilized by an increase in our accounts receivable in the amount of \$252,887, in prepaid assets in the amount

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of \$184,653 and trade accounts payable in the amount of \$507,786 and by decreases in accrued liabilities in the amount of \$189,466 and customer acquisition costs in the amount of \$138,846.

Cash used by financing activities was \$821,928 for three months ended December 31, 2000. This represents payments made to reduce the principle balances of the outstanding notes.

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 8, 2001. Our line of credit has been reduced to \$750,000. 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.

OTHER CONSIDERATIONS

There are numerous factors that affect our business and the results of its operations. Sources of these factors include general economic and business conditions, federal and state regulation of our business activities, the level of demand for our services, the level and intensity of competition in the electronic yellow page industry and the pricing pressures that may result, our ability to develop new services based on new or evolving technology and the market's acceptance of those new services, our ability to timely and effectively manage periodic product transitions, the services, customer and geographic sales mix of any particular period, and our ability to continue to improve our infrastructure (including personnel and systems) to keep pace with the growth in its overall business activities.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, this Form 10-QSB contains express or implied forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. We intend that such forward-looking statements be subject to the safe harbors created thereby. We may make written or oral forward-looking statements from time to time in filings with the SEC, in press releases, quarterly conference calls or otherwise. The words "believes," "expects," "anticipates," "intends," "forecasts," "project," "plans," "estimates" and similar expressions identify forward-looking statements. Such statements reflect our current views with respect to future events and financial performance or operations and speak only as of the date the statements are made.

Forward-looking statements involve risks and uncertainties and readers are cautioned not to place undue reliance on forward-looking statements. Our actual results may differ materially from such statements. Factors that cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Form 10-QSB, as well as those discussed in our Form 10-KSB.

Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate with the result that there can be no assurance the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking information should not be regarded, as a representation that the future events, plans, or expectations contemplated will be achieved. We undertake no obligation to publicly update, review, or revise any forward-looking statements to reflect any change in our expectations or any change in events, conditions, or circumstances on which any such statements based. Our filings with the SEC, including our Form 10-KSB, may be accessed at the SEC's Web site, www.sec.gov.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

YP.Net is involved in various legal proceedings and claims as described in our Form 10-KSB for the year ended September 30, 2000.

A Women's Place. We have entered into a settlement agreement in this matter. Under the terms of the settlement, Holly K. Virgil will return to YP.Net 220,000 shares of its common stock for a payment of \$125,000. All other claims of each party will be dismissed.

Hudson Consulting Group. We have made an offer to settle this matter that is pending. The terms of the offer were based upon our analysis of costs to conclude the litigation.

Federal Trade Commission. On June 26, 2000 the Federal Trade Commission ("FTC") filed a complaint against us and other defendants alleging that we were engaged in deceptive advertising practices and sought preliminary injunctive remedies, including the appointment of a receiver over the business and a freeze on all assets. The alleged deceptive practices related to a check mailer solicitation utilized in our marketing activities. On July 13, 2000, YP.Net and all other defendants entered into a negotiated settlement for the entry of a preliminary order that resulted in dismissal of the receiver and dissolution of the asset freeze. We are currently in negotiations with the FTC and anticipate that a final settlement will ultimately be reached.

ITEM 2. CHANGES IN SECURITIES

On October 1, 2000, we issued 200,000 common shares to Angelo Tullo as compensation for services provided as the Chairman of the Board, President and Chief Executive Officer of YP.Net. The shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

In the quarter ended December 31, 2000, we issued 75,000 common shares to Don Madero, our Director of Operations, as compensation. The shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

- 10.23 Agreement dated November 1, 2000 between Corsi Agency, Inc. and YP.Net
- 10.24 Agreement dated November 1, 2000 between Intelligenx, Inc. d/b/a i411.com and YP.Net
- 10.25 Forbearance Letter Agreement dated February 8, 2001 between Telco and Finova Capital Corporation

No reports on Form 8-K were filed during the three months ended December 31, 2000.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

YP.NET, INC.

Dated: February 14, 2001

By /s/ Angelo Tullo

Angelo Tullo, Chairman of the Board

AGENCY/CLIENT AGREEMENT

YP.Net, Inc.
4840 East Jasmine Street, Suite 105
Mesa, AZ 85205

AGENCY/CLIENT AGREEMENT

This will confirm that your company has retained The Corsi Agency, Inc. (hereafter referred to as "Agency") as your exclusive agency to provide the services listed below under "C" for YP.Net, Inc., an Arizona Corporation, doing business as YP.Net (hereafter referred to as "Client").

Effective: November 1, 2000

A. PROPRIETARY RIGHTS

All ideas strategies concepts, renderings, o

other similar property developed by, arising out of, or as a result of our relationship, once paid for by Client, shall be the sole property of Client.

B. CONFIDENTIALITY

All disclosure by Client to Agency, and all information obtained by Agency pursuant to or by reason of our relationship, and all correspondence pertaining thereto shall be confidential. Such information shall not be used by Agency or disclosed to others without prior written consent of Client.

C. PERFORMANCE

This project will be undertaken in two phases:

During Phase 1, during the time period of November 1 -January 31, 2000, the Agency shall develop and execute a sound investor relations program on behalf of the Client. During that period the Agency shall prepare press releases for the Client with information supplied by the Client for submittal to the news wires. Agency will meet with and advise Client on the proper way of "getting the news out" about the company and it's affairs and will assist and devise an investor relations and analysts plan that can be implemented in Phase 2The Agency may also provide counsel in the areas of financial communications and corporate imaging.

During Phase 2, starting February 1, 2001, and continuing for a period of one year, the Agency shall provide counsel in the area of investor relations, as well as in the areas of public relations, media relations, community relations, consumer relations, industry relations, analyst relations, and event planning and implementation. The Agency may also provide counsel in the areas of financial communications and corporate imaging.

Corsi/YP.Net Agency Agreement
10/26/00

D. RETAINER FEE

During Phase 1, a monthly retainer fee of \$9,500.00, for the services described above, will be due on the first day of each month of service.

During Phase 2, the investor relations retainer fee of \$9500.00 will continue; additional Public Relations retainer fees will be negotiated prior to the start of Phase 2, February 1, 2001.

During Phase 1 and at all times thereafter Agency shall provide to Client a monthly reconciliation of the time spent on Client's project(s) as billed

against the retainer. This will assist both parties in the negotiation of the fees and retainer for Phase 2 and any subsequent retainers for other projects.

In addition to retainer(s), Agency to bill client monthly for clipping service (estimated to be \$265.00) plus an additional amount for each clip page (estimated to be \$1.45 each) clipped by the service. Agency will provide client with copies of the clips as they are received and a summary of the clips received will be included with the client report.

Fees and clipping service fee to be invoiced on the first of the month and are due and payable on the first of the following month. Payment must be received by agency for work to continue. Payment of the first two retainers (November and December) must be received before work is started.

E. PROJECTS

Projects involving Crisis Communications or Crisis Management are billed at the hourly rates (see appendix), if the hours covered under the retainer have been exhausted. These charges are billed monthly as incurred.

Projects beyond the scope of those covered by the monthly retainers described above are estimated and billed separately by Agency. These projects require approval by Client prior to time being incurred. These projects would include extraordinary activities such as attendance at, and travel to and from: press conferences, trade shows, analysts tours and media tours. These projects would also include media kits, launches, events, promotions, press conferences and other such projects or events. Projects require a 50% payment prior to commencement of the assignment. The balance of the approved project cost will be billed upon completion.

F. MISCELLANEOUS EXPENSES

Client authorizes Agency to act as its agent in purchasing the materials and services required to perform agreed-upon projects and services on its behalf.

Corsi/YP.Net Agency Agreement
10/26/00

No miscellaneous out-of-pocket expenses over \$200 shall be incurred by the Agency without Client approval. All such expenses are billed to the Client at net cost. Items included in this category are messengers, air express, freight, postage, telephone/fax charges, travel on the Client's behalf, etc.

G. ESTIMATES

Client to be furnished with a written estimate of costs before work commences on any phase of a project or job falling outside the scope of retainer services. Client will be asked to sign and return a copy of this work estimate, along with a 50% payment, in advance, thereby authorizing Agency to commence work.

Estimates reflect the probable costs based on information provided to Agency at such time. Costs may increase or decrease due to Client changes, specification changes, or other items beyond the Agency's control. Client will be notified of all cost increases above \$200 before work is processed by phone or in writing, if time permits to extend purchase order.

H. PAYMENT

Client hereby agrees to pay retainer invoices submitted by Agency within fifteen (15) days and to pay all other invoices submitted by the Agency within thirty (30) days. All applicable sales and/or use taxes will be billed to Client for each project. Estimates of projects do not include taxes.

Invoices not paid within thirty (30) days will incur interest charges at the rate of 1.5% interest per month until paid.

Accounts unpaid at 60 days shall be placed on credit hold and work in progress terminated until such time as the account becomes current.

I. TERMS AND CANCELLATIONS

1. The terms of this agreement are subject to review at any time. This agreement is cancelable by Client or Agency. Effective date of cancellation shall be thirty (30) days after receipt of written notice.

2. During this thirty (30) day period, all terms and conditions stated herein remain in effect. At the time of notification, all work in progress will be reviewed and completion details determined. All costs to Agency incurred on Client's behalf will be billed to Client, whether or not projects are completed. Attorney and/or collection fees will be charged in addition to balance due if collection proceedings become necessary to secure moneys due to Agency.

3. This agreement shall be governed and construed in accordance with the Laws of the State of California.

Corsi/YP.Net Agency Agreement 10/26/00

4. Agency agrees that Client shall have the right to approve of any and all advertising or public relations materials before they are published or disseminated by Agency. In the event that Client makes any correction or change in copy or other materials submitted to it by Agency, Agency shall have the right to approve said changes prior to publication or dissemination.

5. Client agrees to defend, indemnify and hold harmless Agency of and from any and all claims, fines, losses, damages, costs, expenses, payments, judgments or settlements, (including reasonable attorney's fees and costs of court) arising out of the services performed by Agency for Client under this agreement, the contents of or use, publication or dissemination of a news release, advertisement, commercial or any other communication or the use of any product or service advertised or publicized therein or thereby. Provided, however, that the obligation to defend, indemnify or hold harmless herein shall not include any negligent or wrongful act by Agency or the contents use, publication, or dissemination of any documentation or information by Agency which is not previously approved in writing by Client.

Please sign and return to Agency the original of this letter and retain one copy for your files.

Respectfully,
The Corsi Agency

By:

AGREED TO AND ACCEPTED:

By:

Name

Corsi/YP.Net Agency Agreement 10/26/00

Title

DATE:

DATE:

APPENDIX

The Corsi Agency
Service Fees

Agency Principal/Director of Public Relations
Account Supervisor

Senior Account Executive
Account Executive
Account Assistant
Account Coordinator

Corsi/YP.Net Agency Agreement 10/26/00

\$275/hour
\$175/hour
\$175/hour
\$150/hour
\$135/hour
\$85/hour

I411.COM
CO-BRANDED SYNDICATION AGREEMENT

THIS CO-BRANDED SYNDICATION AGREEMENT ("Agreement") is entered into as of this 1st day of November, 2000 ("Effective Date"), by and between Intelligenx, Inc. d/b/a i411 Lcom, a Delaware corporation with its principal place of business is located at 14320-D Sullyfield Circle, Chantilly, Virginia 20151 and YP.Net, Inc., a Nevada corporation with its principal place of business located at 4840 East Jasmine Street, Suite 105, Mesa, Arizona 85205 ("YP.Net") (each a "Party", and collectively, the "Parties" to this Agreement).

YP.NET SITES: CO-BRANDED SITE: I411 BRAND: POWERED BY i411 Lcom
www.ypNet.net www.i411Lcom/ypnet YP.NET BRAND: ypNet and formatives

WHEREAS, i411 has rights to a database of directory business listings and to proprietary Internet infrastructure technology that allows i411 to provide affiliated Web sites with customized directory content and functionality that allows full text and categorized searching of online data consisting of yellow page business listings that are organized into geographic and product and service categories ("i411 Direc"), and YP.Net wishes to receive a license to use

and distribute a co-branded i411 Directory in connection with its business.

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, i411 and YP.Net agree as follows intending to be legally bound:

SECTION 1. CO-BRANDED DIRECTORY LICENSE. During the Term (as defined in Section

20) and subject to the provisions of this Agreement, i411 hereby agrees to make available from the Co-Branded Site (as identified in the table above) to YP.Net and its authorized end users (the "End Users") of the YP.Net Site (as identified in the table above) the co-branded i411 directory as described in Schedule One hereto (the "Co-Branded Directory"). The Co-Branded Directory shall consist of all

the business listings in the i411 Directory and any updates thereto made during the Term. The Co-Branded Directory shall be hosted and served by All or its subcontractors. For that purpose, subject to the provisions of this Agreement, i411 hereby grants to YP.Net a non-exclusive, non-transferable right and license during the Term to permit End Users to access and use the Co-Branded Directory as it is available from the Co-Branded Site only and solely for the personal or internal business use of the End User and not for purposes of resale or, leasing, re-compilation, re-distribution, re-syndication, re-transmission, time-sharing or use for the benefit of any third-party, except as provided in this agreement.

SECTION 2. CO-BRANDED SITE LICENSE. During the Term and subject to the provisions

of this Agreement, i411 hereby agrees to provide the functional Co-Branded Directory as more fully described in Schedule One hereto. The Co-Branded Directory shall depict the i411 Brand (as identified in the table above) and the YP.Net Brand (as identified in the table above), as well as other symbols, identifiers and "look and feel" as reasonably agreed to by the Parties. The Co-Branded Site shall be accessed by End Users from the YP.Net Site or such other sites controlled by YP.Net and from which redirection to the YP.Net site may be accomplished under applicable laws, through one or more clickable hypertext links positioned throughout the pages of the YP.Net Site. Such link(s) shall point to the Co-Branded Directory (unencumbered by frames or other formatting added by a third-party not affiliated with YP.Net), which shall appear as a result of activating the links. For that purpose, subject to the provisions of this Agreement, i411 hereby grants YP.Net a non-exclusive, non-transferable right and license during the Term to link to, cache and display the Co-Branded Site, solely for the personal or internal business use of the End User and not for purposes of resale or leasing, re-compilation, re-distribution, re-syndication, re-transmission, time-sharing or use for the benefit of any third-party except as provided in this agreement. YP.Net agrees that it shall not, knowingly or intentionally, establish or permit the establishment of any pointers or links between the Co-Branded Site (or any other web site) and the i411 web site located at www.i411Lcom. without the prior written approval of i411 unless otherwise permitted in this Agreement, except for redirecting a user from different URL addresses

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controlled by YP.Net to www.yp.net and links from other web sites to www.yp.net. It is the responsibility of YP.Net to ensure that all known redirecting of users/traffic and any framing/linking to the sites involved herein is done in a manner that complies with applicable laws.

SECTION 3. SUBMISSION MODULE LICENSE. The Co-Branded Site shall include an online

submission module (with "look and feel" as reasonably agreed to by the Parties) accessible from the Co-Branded Site whereby YP.Net (and its authorized agents) and businesses whose information is accessible through the Co-Branded Directory (the "Listed Businesses") may validate available data and/or order Search Visible

Storefronts Tm and changes, upgrades, enhancements, additional branding and other customization for their listings (the "SubmissionModule"). For that

purpose, subject to the provisions of this Agreement, I hereby grants YP.Net (and its authorized agents) a nonexclusive, non-transferable right and license during the Term to access and utilize, and permit End Users to access and utilize, the Submission Module through the Co-Branded Site or such other sites as described herein, only and solely for the personal or internal business use of YP.Net (and its authorized agents) or the End User and not for purposes of resale or leasing, re-compilation, re-distribution, re-syndication, re-transmission, time-sharing or use for the benefit of any third-party. YP.Net agrees that it shall not knowingly or intentionally, use or permit the use of the Submission Module for any other purpose. I shall maintain commerce responsibilities and accounting for all transactions conducted through the Submission Module.

SECTION 4. I MEMBERSHIP MEDALLION PRODUCT LICENSE. During the Term and subject

to the provisions of this Agreement, I hereby agrees to make available to YP.Net, as part of the Submission Module, a means of identifying membership, functionality that allows Listing Businesses to add prominence to their listing by placing a unique marking or symbol next to their listing which identifies their membership in a specific community of interest ("Membership Medallions").

I will develop the Membership Medallions based on parameters agreed to between I and YP.Net. YP.Net and I shall jointly own all rights in and to the Membership Medallions.

SECTION 5. TRADEMARK LICENSE. Subject to the provisions of this Agreement, I

grants to YP.Net the nonexclusive, right and license during the Term to use and display the I Brand and other trademarks of I identified in Schedule Two hereto (the I Brand and such other trademarks collectively referenced to as the "I Trademarks") for the sole purpose of implementing the YP.Net Site

branding contemplated by this Agreement, and undertaking jointly with I or otherwise as authorized in writing by I efforts to promote and market the relationship created by this Agreement, the Co-Branded Site and the Co-Branded Directory and the products and services of I. Notwithstanding the foregoing, uses of the I Trademarks by YP.Net are subject to the prior approval of I, which shall not be unreasonably withheld or delayed. YP.Net agrees that I owns all rights to the I Trademarks and that all use thereof by YP.Net will inure to the benefit of I. YP.Net will not challenge I's rights to the I Trademarks or cause or direct any third party to do so.

SECTION 6. RESTRICTIONS. The licenses granted by I under this Agreement do

not include the right to sublicense. YP.Net agrees that it may not, knowingly or intentionally, modify or create derivative works from the I Directory, the Co-Branded Site, the Co-Branded Directory, the Submission Module or the Membership Medallions without the prior written consent of I. Specifically excluded from the licenses granted by I under this Agreement is, without limitation, any use or operation of the I Directory, the Co-Branded Directory or the Membership Medallions (i) on or through any Internet site other than the YP.Net Site; and (ii) for use in connection with products configured to be, or World Wide Web pages specifically designed for, wireless, WAP, Palm, mobile computing, or satellite delivery services or applications. As new technologies

from the World Wide Web arise within the Internet and wireless environment, YP.Net may request permission from i4II prior to applying the CoBranded Directory to new uses. i4l 1, upon evaluation of the proposed opportunity, reserves the right to negotiate with YP.Net the terms and conditions of any such additional licenses.

SECTION 7. END USER AND LISTED BUSINESSES TERMS AND CONDITIONS. The Co-Branded

Site and the Co-Branded Directory shall be available to End Users and the Submission Module and Membership Medallions shall be available to YP.Net, End Users and the Listed Businesses subject to reasonable terms and conditions of usage established by i4ll and YP.Net agrees that i4ll may require that YP.Net, End Users and Listed Businesses accept such terms on an electronic "clickwrap" basis (that is, by means of terms and conditions presented on an online basis

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and which get accepted by the user electronically). YP.Net agrees to post such terms and conditions of usage in the YP.Net Site and to establish a clickable link to the terms and conditions in near proximity to the Co-Branded Directory link on the YP.Net Site. YP.Net may impose other reasonable terms and conditions applicable to use of the Co-Branded Site, Submission Module or Membership Medallions in YP.Net's reasonable discretion.

SECTION 8. YP.NET PARTICIPATION AND LICENSES.YP.Net shall be responsible for (i)

hardware and software required to link the YP.Net Site to the Co-Branded Site, (ii) all aspects of the YP.Net Site, and (iii) exercise its reasonable commercial efforts to meet the milestones applicable to YP.Net as described in Schedule One hereof YP.Net shall provide i4ll or its agents in a timely manner, when reasonably requested, artwork for the rendition of the YP.Net Brand which YP.Net desires be used on the Co-Branded Site and the Membership Medallions (if a pre-existing marking is used), as well as other YP.Net content and markings necessary for the Co-Branded Site (collectively, the "YP.Net Contentf').YP.Net

also agrees to provide to i4II in a timely manner, any other information, input, feedback, and recommendations reasonably requested by i4ll or its agents regarding the YP.Net-specific elements of the Co-Branded Directory. To the extent use of any YP.Net Content, the Membership Medallions or any component thereof requires a license from any third-party, YP.Net agrees to obtain the necessary rights and licenses in order to permit the activities contemplated by this Agreement. Subject to the provisions of this Agreement, YP.Net hereby grants Al I a non-exclusive right and license during the Term to use, reproduce, distribute, transmit, display and make derivative works based upon any YP.Net content and any logos, names, markings and other symbols provided by YP.Net to i4l 1 solely for purposes of Al I (directly or through its agents and suppliers) (a) meeting its obligations under this Agreement, (b) displaying and distributing the Co-Branded Site, the Co-Branded Directory, the Submission Module and the Membership Medallions, and (c) performing marketing and promotional activities agreed to by Y?.Net. In addition, subject to approval by Y-P.Net, i4l I shall have the right to display, on print or electric format, screen shots or the live Co-Branded Site, the Co-Branded Directory, or the Submission Module, for purposes of promotion and marketing of i4l I products and services.

Subject to the provisions of this Agreement, YP.Net grants to i4l I the non-exclusive, non-transferable right and license during the Term to use and display the YP.Net Brand and other trademarks of YP.Net identified in Schedule Two hereto (the YP.Net Brand and such other trademarks collectively referenced to as the "YP.Net Trademarks")for the sole purpose of implementing the i4ll Site

branding contemplated by this Agreement, and undertaking jointly with YP.Net or otherwise as authorized in writing by YP.Net efforts to promote and market the relationship created by this Agreement, the Co-Branded Site and the Co-Branded Directory and the products and services of Y?.Net. Notwithstanding the foregoing, uses of the YP.Net Trademarks by i4ll are subject tothe prior approval of YP.Net, which shall not be unreasonably withheld or delayed. i4l 1 agrees that YP.Net owns all rights to the Y?.Net Trademarks and that all use thereof by i4l I will inure to the benefit of YP.Net. i4l I will not challenge YP.Net's rights to the YP.Net Trademarks or cause or direct any third party to do so.

SECTION 9. PREFERRED POSITION PLACEMENT. During the Term and subject to the

provisions of this Agreement, i411 hereby agrees to make available to YP.Net, as part of the Submission Module, a means of providing preferential identification of YP.Net's affiliated enhanced business listings. Each of the YP.Net enhanced listings (each a "Preferred Business") are to be converted into a YP.Net Search

Visible StorefrontT11 pursuant to the terms set forth in Schedule One hereto shall be given preferred position placement in the Co-Branded Directory as well as all other directories in the i411 directory syndicate network. For any set of search results in the Co-Branded Directory and any directory in the i411 directory syndicate network, Preferred Businesses shall always be listed first (in alphabetical order among Preferred Businesses), before any other Listed Businesses ("Preferred Position Placement"). Any listed business that purchases a

Search Visible StorefrontT11 through the Submission Module shall be deemed a Preferred Business and shall be given Preferred Position Placement. All shall make good faith, reasonable commercial efforts to frequently update and index the list of Preferred Businesses.

SECTION 10. IMPLEMENTATION, DELIVERY AND ACCEPTANCE The implementation of the

Co-Branded Site shall be in accordance with the Schedule of Project Deliverables contained in Schedule One hereof, as it may be amended by the Parties in writing. i411 shall exercise its reasonable commercial efforts to make available the Co-Branded Site, the Co-Branded Directory and all other deliverables by the dates indicated in Schedule One hereto. This deadline is subject to YP.Net providing all necessary YP.Net Content and meeting its participation requirements as described in Section 8 above in a timely manner. i41 I shall notify YP.Net of the availability of the Co-Branded Directory and

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shall demonstrate to YP.Net at a mutually agreed to time and place the functionality of the Co-Branded Directory. Thereafter, YP.Net shall have the right for a period of five days after first availability of the Co-Branded Site and the Co-Branded Directory to test the functionality and operation thereof and to advise i41 1 in writing of any apparent errors. i411 agrees to exercise its best efforts to correct any errors in the functionality and operation. The CoBranded Directory will be deemed accepted by YP.Net on the sixth day after first availability and notification to YP.Net from i41 I of the Co-Branded Site and the Co-Branded Directory, provided no errors are reported to i41 1, or all errors reported have been corrected to the satisfaction of YP.Net.

SECTION 11. CHANGES AND UPDATES. During the Term, i41 I shall not make changes to

the YP.Net-specific elements of the Co-Branded Directory except upon prior consultation with and approval of YP.Net. During the Term, the CoBranded Directory shall be updated on a periodic basis by i41 I as Al I adds to its general database new or changed directory listings, which are relevant to the Co-Branded Site. i411 shall from time to time make improvements, as it deems necessary, to the functionality. As i411 develops new products and functionality for the wired Web, these newly developed features will be deployed for YP.Net at no cost or set-up fee. This preceding sentence applies for features and functionality that are developed by Al I and made available for commercial use pursuant to its planned product development efforts. The Parties may agree, by addendum to this Agreement, upon additional terms and conditions upon which additional services or functionality may be provided by i41 1.

During the Term, i41 I may monitor the information residing on or transmitted to the i411 Directory. i41 I reserves the right, upon providing written notice to YP.Net, to temporarily, or permanently, modify, reject, alter, discontinue or delete any information residing on or transmitted to the i41 I Directory through any online submission module the Parties agree and believe to be unacceptable or in violation of (i) any applicable laws, regulations or other governmental requests or (ii) the Terms and Conditions set forth in the Legal Notices of the i41 I website.

SECTION 12. COLLECTION AND USE OF DATA. Al I shall collect data regarding traffic

and usage relating to the CoBranded Site and Co-Branded Directory ("Usage Da").

Usage Data and all intellectual property rights relating thereto shall belong to i4l 1. i4l1 shall share periodically Usage Data with YP.Net, solely for use for the internal business purposes of YP.Net and not for re-sale. Usage Data shall not include any data collected by YP.Net relating to End Users of the YP.Net Site, the property rights of which shall belong to YP.Net. YP.Net and Al I shall consult with each other to develop and post appropriate privacy polices relating to the use of Usage Data.

Section 13. MARKETING AND BRANDING OPPORTUNITIES. The Parties shall exercise good

faith and reasonable efforts to undertake joint and individual marketing and branding efforts relating to the Co-Branded Directory and the Parties' respective product and services as described in Schedule One hereto and as other further agreed to by the Parties from time to time.

SECTION 14. CUSTOMIZED SIGNATUREBAR. i4l1 shall develop and deploy a customized

signature bar for use in YP.Net's e-mail system, as more fully described in Schedule One hereto. The HTML-based product will present a search bar on any e-mail sent from YP.Net, which when used will open a browser window to the Co-Branded Directory and launch a search based on the word(s) entered.

SECTION 15. TRACKING MECHANISM. As more fully described in Schedule One hereto,

i4l1 shall provide YP.Net with a tracking mechanism that enables YP.Net to track the users that log in to the Submission Module and make changes, including the date that the changes are made, and the nature of the change (edit, add, delete) (the "TrackingMechanism"). The Tracking Mechanism shall also include the ability

to sort by date and type of change.

SECTION 16. FEES AND REVENUE SHARIN. YP.Net shall pay to i4l1 the set-up and

licensing fees set forth on Schedule One hereto. i4l1 and YP.Net shall share in advertising revenues on the Co-Branded Site as more fully described in Schedule Three hereof For shared advertising revenues collected by YP.Net through a local exchange carrier ("LEC"), the Parties shall share evenly in the net receipts

after deduction of a 45% LEC fee. For advertising revenues that are not collected through LEC billing, the Parties shall share evenly in the gross receipts. Shared advertising revenues shall include Search Visible StorefrontSTM, Membership Medallions, coupons and banner advertisements (all as described more fully in Schedule Three hereto). Revenue sharing shall expressly not apply to GIF graphics or Bronze Search Visible StorefrontSTM, the pricing for which is described in Schedule Three hereto.

YP.NET SYNDICATION AGREEMENT

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There shall be no revenue sharing between the Parties for advertising sold by third parties or submitted from third party websites.

During each year of the Term, if the number of search queries executed in the Co-Branded Directory exceeds 1,000,000, then YP.Net shall pay to i4l I an overage fee in the amount set forth on Schedule Four for such excess number of queries. If incurred, i4l I shall provide written notice to YP.Net in the form of an invoice for the amount due, which shall be accompanied by a report containing such information which is reasonably necessary for the computation of the associated overage fee. Such overage fee shall be paid by YP.Net within 15 days of notification by i4l 1, unless such fee is disputed in good faith by YP.Net. For purposes of this Section 16, a "search query" shall consist of any single request for information transmitted to i4l I servers, software and network equipment, whether such request be for category selections or keyword inputs.

SECTION 17. PAYMENT OF FEES. All fees and shared revenues under this Agreement

shall be paid by either Party by check or direct deposit into the other Party's account. In the case of the monthly license fee described in Schedule One hereto, YP.Net shall pay to i4l I the first month's license fee on the date of

live deployment of the Co-Branded Directory, with all subsequent monthly payments during the Term due on each monthly anniversary of such live deployment date. In the case of shared revenues described in Schedule Three hereto, the collecting Party shall pay the other Party on the 15th of the month following receipt of the revenues by the collecting Party. In the case of shared revenues, the Parties agree that accompanying each payment due hereunder it will deliver to the other Party a report containing such information which is reasonably necessary for the computation of the associated payment. The Parties will maintain accurate and complete records concerning the computation and payment of any amount due the other Party for a period of one year from the date of each payment.

All payments due to either Party hereunder shall be paid to either Party in U.S. Dollars. If either Party fails to pay a fee due and owing in a timely manner, such Party agrees to pay late charges on any amounts outstanding for more than 30 days, at the rate of the lesser of one and one-half percent (1.5%) per month or the maximum permitted by law. Balances remaining more than ninety (90) calendar days past due shall give rise to a material breach of this Agreement. Each Party agrees to pay reasonable costs of collection that the other Party incurs in collecting from the other any amounts past due under this Agreement.

SECTION 18. SYNDICATION REFERRALS. I shall pay to YP.Net a referral fee for

any syndications sold by I to third-party customers introduced to YP.Net. Such syndications may consist of a co-branded arrangement between YP.Net and the third-party customer (powered by I), a co-branded arrangement between I and the third-party customer, or a private label arrangement for the third-party customer. YP.Net shall use the I pricing model set forth in Schedule Five hereto, or such other pricing model as I and YP.Net may agree to in writing. For any syndication sale referred to I as described in this Section 18, YP.Net shall receive a referral fee consisting of 20% of all high-structure Charges and Syndication Fees (as described under the heading Pricing Considerations), or such other fees as I and YP.Net may agree to in writing.

SECTION 19. TERM. The Agreement shall be in effect commencing on the Effective

Date and continuing through the day before the two-year anniversary of the date of live deployment of the Co-Branded Directory (the "Initial Term"). After

expiration of the Initial Term, this Agreement shall be deemed renewed automatically on a year-to-year basis for successive one year periods (each a "Renewal Term") unless terminated by Y-P.Net or I upon written notice at least

ninety (90) days prior to the expiration of the Initial Term or any Renewal Term, as the case may be (the Initial Term as extended by any Renewal Term shall be referred to as the "Term"). Either Party may terminate this Agreement at any time in the event of a material breach by the other Party that remains uncured after thirty (30) days written notice thereof. Either Party may terminate this Agreement immediately following written notice to the other Party if the other Party becomes or is declared insolvent or BANKRUPT

SECTION 20. OWNERSHIP. Subject to the next sentence, YP.Net acknowledges and

agrees that as between I and YP.Net, I owns all right, title, and interest in and to the I Directory, the Co-Branded Directory, the Submission Module, the Co-Branded Site and the technology underlying any of them, including all trademarks, copyrights, patent rights, look and feel and other intellectual property rights therein. I acknowledges and agrees

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that YP.Net shall retain all rights, title and interest in and to the YP.Net Trademarks, the YP.Net Site and the YP.Net Customer Data and Content.

Upon the expiration or termination of this Agreement, YP.Net shall remove any and all links from the YP.Net Site to the Co-Branded Site and/or the Co-Branded Directory and each Party shall cease using the trademarks, service marks and/or trade names of the other except, as the Parties may agree in writing, or to the extent permitted by applicable law.

Any content that is changed, enhanced, or improved by End Users or YP.Net, or through joint efforts of i4l I and YP.Net, shall be jointly owned by Al I and YP.Net so that each Party can use such information during and after the Term of this Agreement, provided that YP.Net shall not use it during the Tenn to create a product that competes with the Co-Branded Directory.

SECTION 21. REPRESENTATIONS AND WARRANTIES.

i4l I represents and warrants that (i) to the best of i4l I's knowledge, the i4ll Trademarks, i4l I Directory, the CoBranded Directory, the Co-Branded Site, the Submission Module, and the other products and services provided by i4II hereunder do not infringe or misappropriate the intellectual property, privacy, or other proprietary rights of third parties, (ii) to the best of i4l I's knowledge, the i4l I Directory, the Co-Branded Directory, the Co-Branded Site, the Submission Module, and the other products and services provided by i4ll hereunder do not include any virus, time bomb, back door, or other device for disabling the Co-Branded Directory or Co-Branded Site or the hardware used to operate or access the Co-Branded Directory and Co-Branded Site or for surreptitiously collecting personal information from users who access the Co-Branded Directory and Co-Branded Site.

YP.Net represents and warrants that (i) to the best of its knowledge, it is not subject to any written agreement, written directive, memorandum of understanding or order with or by any court or governmental authority restricting in any material respect its operation or requiring any materially adverse actions by YP.Net; (ii) it is in compliance in all material respects with all applicable laws and regulations and is not in default in any material respect with respect to any material order applicable to YP.Net, including YP.Net's commitment to be

compliant with any order issued by the Federal Trade Commission or the Arizona State's Attorney general with respect to YP.Net's business practices, (iii) as of the date hereof, there is no Litigation (as defined below) pending, or to the knowledge of YP.Net, threatened against YP.Net, except that a matter pending before the Arizona State's Attorney General has been settled in principle but YP.Net has not entered into a final order with respect thereto and, accordingly, the matter may still be considered pending and is an exclusion from the representation made above. During the Term, YP.Net agrees to promptly notify i4ll of any Litigation pending or, to the knowledge of YP.Net, threatened against YP.Net. "Litigation" means any suit, action, arbitration, cause of action, claim, complaint, criminal prosecution, investigation, demand letter, governmental or other administrative proceeding, whether at law or in equity, before or by any court or governmental authority, including the Federal Trade Commission, or before any arbitrator.

Each Party represents and warrants to the other Party that: (i) such Party has the full corporate right power and authority to enter into this Agreement, to grant the Agreement licenses granted hereunder and to perform the acts required of it hereunder; and (ii) the execution of this Agreement by such Party, and the performance by such Party of its obligations and duties hereunder, do not and shall not violate any agreement to which such Party is a party or by which it is otherwise bound or any applicable law.

ASIDE FROM THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT, WITH RESPECT TO THE CO-BRANDED DIRECTORY AND THE CO-BRANDED SITE, EACH PARTY SPECIFICALLY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ANY WARRANTY OF TITLE OR NON-INFRINGEMENT. MOREOVER, ALL EXPRESSLY DISCLAIMS ANY WARRANTY WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE DIRECTORY LISTINGS IT USES AS THE BASIS FOR THE CO-BRANDED CONTENT AND WITH RESPECT TO ANY INFORMATION PROVIDED BY YPNET OR ANY LISTED

YP.NET SYNDICATION AGREEMENT

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BUSINESS. i4ll MAKES NO REPRESENTATION THAT OPERATION OF THE CO-BRANDED SITE WILL BE UNINTERRUPTED OR ERROR-FREE OR THAT ALL ERRORS CAN BE CORRECTED. i4II MAKES NO REPRESENTATION THAT AT ANY TIME IT CAN SUPPORT A LEVEL OF END USER TRAFFIC ON THE CO-BRANDED WEB SITE AND CO-BRANDED WIRELESS SITE IN EXCESS OF THE LEVEL OF END USER TRAFFIC THAT CAN BE SUPPORTED BY ITS THEN-EXISTING SERVER SYSTEM.

SECTION 22. CONFIDENTIALI. Each Parry agrees (i) that it shall not disclose to

any third party or use any Confidential Information disclosed to it by the other
except as expressly permitted in this Agreement and (ii) that it shall take all
reasonable measures to maintain the confidentiality of all Confidential
Information of the other Party in its possession or control. "Confidential

Information" includes information about the disclosing Party's (or its

suppliers") business or activities, which shall include all business, financial,
technical and other information of a Party marked or designated by such Party as
"confidential" or "proprietary." Confidential Information shall not include
information that is in or enters the public domain without breach of this
Agreement or the receiving Party knew prior to receiving such information from
the disclosing Party. Without the need for marking, the Parties agree the
royalty reports provided by i4l I to YP.Net pursuant to this Agreement and the
terms of this Agreement shall be deemed to be the Confidential Information of Al
1. Notwithstanding the foregoing, each Party may disclose Confidential
Information (i) with prior notice to the other, to the extent required by a
court of competent jurisdiction or other governmental authority or otherwise as
required by law or (ii) on a "need-to-know" basis under an obligation of
confidentiality to its legal counsel, accountants, banks and other financing
sources and their advisors.

Each Party agrees that the terms and conditions of this Agreement, including all
Exhibits and schedules hereto, and any policies, business practices, plans and
methods not in the public domain which may be known or disclosed by either Party
to the other as a result of this Agreement will be held in confidence and not
disclosed to any third party for any reason.

SECTION 23. LIMITATION OF LIABILI. UNDER NO CIRCUMSTANCES SHALL EITHER PARTY, OR

THEIR RESPECTIVE STOCKHOLDERS, OFFICERS, DIRECTORS OR AFFILIATES BE LIABLE FOR
INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES (INCLUDING,
WITHOUT LIMITATION, LOST PROFITS) ARISING FROM OR OTHERWISE RELATED TO BREACH OF
THIS AGREEMENT, YPNET'S USE OR INABILITY TO USE THE CO-BRANDED SITE OR
SYNDICATED CONTENT, OR ANY CAUSE OF ACTION WHATSOEVER INCLUDING BUT NOT LIMITED
TO CONTRACT, WARRANTY, STRICT LIABILITY, OR NEGLIGENCE, EVEN IF THE PARTY HAS
BEEN NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

THE LIABILITY OF EITHER PARTY UNDER THIS AGREEMENT SHALL IN NO EVENT EXCEED THE
AMOUNTS PAID OR OWING UNDER THIS AGREEMENT.

SECTION 24. INDEMNIFICATION.

i4l I agrees, at its expense, to indemnify, defend and otherwise hold YP.Nct
harmless from any costs (including reasonable attorney's fees) and damages
awarded to third parties arising from or related to (i) any third-party claim
that i4l I's technology, i4l I Trademarks, the i4l 1 Web site, any i4l I Brand
or marks placed on the Co-Branded Site or Co-Branded Directory, or any i4l1
Brand or marks provided to YP.Net by i4l1 for placement upon the YP.Net Site,
infringe upon any patent, copyright, trademark, trade secret or other
proprietary right of any third party; or (ii) any third-party (including
governmental entity or agency) claim against i4l 1, including without
limitation, any action against i4l I alleging deceptive trade or advertising
practices

YP.Net agrees, at its expense, to indemnify, defend and otherwise hold i4l1
harmless from any costs (including reasonable attorney's fees) and damages
awarded to third parties arising from or related to (i) any third-party claim
that any YP.Net's Brand, YP.Net Content, YP.Net Trademarks or marks placed on
the Co-Branded Site or CoBranded Directory, or any YP.Net Brand or marks
provided to i4l1 by YP.Net for placement upon the i4l1 Site, infiringe upon any
patent, copyright, trademark, trade secret or other proprietary right of any
third party; or (ii) any third-party (including governmental entity or agency)
claim against YP.Net, including without limitation, any action against YP.Net
alleging deceptive trade or advertising practices.

YP.NET SYNDICATION AGREEMENT

Each Party's obligation to indemnify the other Party requires that the indemnified Party promptly notify the indemnifying Party of any claim as to which indemnification will be sought and provide the indemnifying Party with the right to solely defend and settle such claim, with the reasonable assistance of the indemnified Party. The indemnifying Party shall have exclusive control over the defense and is not bound to any settlement without prior consent.

SECTION 25. GENERAL.

Arbitration. In the event of disputes between the Parties arising from or

concerning in any manner the subject matter of this Agreement, other than disputes involving rights to intellectual property and confidential information, the Parties shall refer the dispute(s) to the American Arbitration Association in the State and county where the party who is not commencing the arbitration (the equivalent of the defendant) resides, for resolution through binding arbitration by a single arbitrator agreed upon by the Parties pursuant to the American Arbitration Association's rules applicable to commercial dispute. If the Parties cannot agree upon an arbitrator within thirty (30) days, then the Parties agree that a single arbitrator shall be appointed by the American Arbitration Association. The arbitrator may award attorney's fees and costs as part of the award.

(b) Counterparts; Amendment. This Agreement may be executed in counterparts

(including facsimile counterparts), each of which shall serve to evidence the Parties' binding agreement. This Agreement may only be modified or amended, or any rights under it waived, by a written document executed by both Parties. Any Schedule not available at the time this Agreement is executed shall be agreed upon, initialed, and attached by the Parties as soon after execution as is practicable, but failure to attach any Schedule shall not affect the validity of this Agreement unless the Parties are in material disagreement as to the contents of any unattached Schedules.

(c) Force Mai. Any delay in or failure of performance by either Party under this

Agreement shall not be considered a breach of this Agreement and shall be excused to the extent caused by any occurrence beyond the reasonable control of such Party including, but not limited to, acts of God, power outages, governmental restrictions, or any act or failure to act by the other Party or such other Party's employees, agents or contractors.

(d) Assignment. Neither Party shall voluntarily or by operation of law assign,

give, transfer, license, or otherwise transfer all or any part of its rights, duties, or other interests in this Agreement ("Assignin'), without the other

Party's prior written consent, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, this Agreement and its benefits and burdens (i) may be assigned by either Party with notice and the written consent of the other Party (such written consent not to be unreasonably withheld) to any person or entity acquiring that Party by merger or acquiring all or substantially all of that Party's assets; and (ii) may be assigned by either Party with notice and the written consent of the other Party (such written consent not to be unreasonably withheld) to any majority-owned subsidiary that provides directory services in the United States.

(e) Binding on Successors and Assign. This Agreement shall inure to the benefit

of and be binding upon the Parties hereto and their permitted successors and assigns, including any temporary or permanent receivers or receiverships and government or bankruptcy trustees.

(f) Governing L. This Agreement shall be governed by and construed in accordance

with the laws of the Commonwealth of Virginia, notwithstanding the actual state or country of residence or incorporation of i4l I or YP.Net.

(g) Relationship of Parties. The Parties are independent contractors and shall

have no power or authority to assume or create any obligation or responsibility on behalf of each other. This Agreement shall not be construed to create or

imply any partnership, agency or joint venture.

(h) Severabili. In the event that any of the provisions of this Agreement

are held to be unenforceable by a
court or arbitrator, the remaining portions of the Agreement shall remain in
full force and effect.

YP.NET SYNDICATION AGREEMENT

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(i) Waiver. The waiver or failure of either Party to exercise in any respect
any right provided for in this
Agreement shall not be deemed a waiver of any further right under this
Agreement.

j) Survival. The provisions concerning proprietary rights, confidentiality,

indemnity, disclaimers of warranty, limitation of liability, termination, and
governing law shall survive termination of this Agreement.

(k) Entire Agreement. Except for the Mutual Non-Disclosure Agreement, dated as of

September 6, 2000, between the Parties, this Agreement constitutes the entire
understanding between the Parties hereto and their affiliates with respect to
its subject matter and supersedes all prior or contemporaneous agreements,
representations, warranties and understandings of such Parties (whether oral or
written). No promise, inducement, representation or agreement, other than as
expressly set forth herein, has been made to or by the Parties hereto. This
Agreement and its schedules hereto may be amended only by written agreement,
signed by the Parties to be bound by the amendment. Parole evidence and
extrinsic evidence shall be inadmissible to show agreement by and between such
Parties to any term or condition contrary to or in addition to the terms and
conditions contained in this Agreement.

Notice. Any notice under this Agreement shall be in writing and delivered
by e-mail or facsimile, and one or more of the following: personal delivery,
express courier, or certified or registered mail, return receipt requested, at
the addresses stated below, or such other address as that party may specify in
compliance with this section. Notice shall be deemed given the day following the
date of receipt of the e-mail or facsimile at:

To YP.Net: Daniel Madero
Director of Operations / Technology
YPNET
4840 E. Jasmine Street
Mesa, AZ 85205
Fax: (480) 654-9727
E-mail: dan.madero@yp.net

With copy to: Randy Papetti
Legal Counsel
Lewis and Roca
40 N. Central Avenue
Phoenix, AZ
Fax: (602) 734-3865
E-mail: rpapetti@lrlaw.com

To i4l 1:

Iqbal A. Talib
President and Chief Executive Officer
Intelligenx, Inc. d/b/a i4l Lcom
14320-D Sullyfield Circle
Chantilly, Virginia 20151
Fax: (703) 631-1277
E-mail: italib@i4l Lcom

With copy to: Lars O. Scofield
Vice President and Legal Counsel
Intelligenx, Inc. d/b/a Al Lcom
14320-D Sullyfield Circle

Chantilly, Virginia 20151
Fax: (703) 631-1277
E-mail: Iscofield@i41 Lcom

YP.NET SYNDICATION AGREEMENT

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date set forth above.

YP.NET, INC.

Name:

Title:

INTEL, LIGENX, INC.

Name:

Title:

YP.NET SYNDICATION AGREEMENT

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SCHEDULE ONE

Project Objectives and Deliverables (SCOPE)

1. Deploy Co-Branded Directory at www.yp.net

Deployed Co-Branded Directory

i41 I to provide data formatting requirements (TBD). YP.Net to provide look and feel specifications (TBD). YP.Net to provide formatted data (TBD) Integration of YP.Net enhanced listings into YP.Net Search Visible Storefronts" (TBD).

- - Beta Deployment of Co-Branded Directory (TBD)

- - Live Deployment of Co-Branded Directory (30 Days after the execution of the definitive agreement).

2. Deploy a co-branded Submission Module

accessible at YP.Net Site that allows YP.Net, its agents, and businesses to validate information and enhance directory listings on-line.

3. Deploy a customized signature bar for YP.Net's e-mail system that interacts with the co-branded directory.

4 Deployed Submission Module

YP.Net to provide look and feel specifications (TBD). Beta deployment of customized submission module (30 days after live deployment of Co-Branded Directory).

a Deployed YP.Net Signature Bar

YP.Net to Provide look and feel specifications (10/27/00)

Live Deployment of tool to add signature bar (10 days after live deployment of the Co-Branded Site).

4. Deploy reporting mechanism that enables YP.Net

to track changes that are made online including the nature of the change (edit, addition, deletion).

Deployed Tracking Mechanism

YP.Net to provide specifications (10/27/00)

Beta deployment of reporting mechanism (30 days after deployment of Submission Module).

Live Deployment (10 days after beta deployment)

Pricing Considerations

1. SET-UP FEE (ONE TIME)

For integration of YP.Net merchant information and development of customized co-branded directory, online submission module, e-mail signature bar and mechanism for reporting on changes made online.

\$ 35,000 (due upon execution of this Agreement)

2. LICENSE (MONTHLY)

UNLIMITED customized YP.Net Search Visible Storefronts'm (enhanced listings as described in schedule two) plus up to 1 million queries.

\$ 15,000 / month

Amount Due Upon Execution of Agreement: \$ 35,00

YP.NET SYNDICATION AGREEMENT

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SCHEDULE TWO

TRADEMARKS

i411 Trademarks:

i41 Lcom
i411

YP.Net Trademarks:

[to be completed]

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SCHEDULE THREE

REVENUE SHARING ARRANGEMENT

. Price / month TBD

Price TBD

0 \$5-500 /cpm
* Depends on Traffic

50%150%

50% / 50% (if directly billed). If LEC -billed, then 50/50 after 45% selling cost

50% / 50% (if directly billed). If LEC -billed, then 50/50 after 45% selling cost

Price TBD

50% / 50% (if directly billed). If LEC -billed, then 50/50 after 45% selling cost

See Schedule Five for definition and pricing model for Syndication

For syndications referred to i41 I by YP.Net YP.Net will receive 20% of the first year's Infi-structure and Syndication fee.

Y-P.Net Search Visible Storefronts TM

BASIC LISTING + Preferred Placement Telephone Number 2 Fax Number E-Mail Link Web Link 1 Web Link 2 Hours of Operation 50 Word Business Description Brands, Product and Service Function

Company Name Address Line 1 Address Line 2 City, State, Zip Telephone Number 1 Product and Service Categories Geographic Location Categories Map and Driving Directions (to extent offered by Mapquest)

Free

Revenue to i41 I included in monthly license fee

BRONZE+ GIF

Price TBD (\$2.50 to i41 I per GIF per month)

SILVER +
Additional Words (500 Max)
Additional Graphic Image (2 Total)
Steaming Audio and Video

Price TBD (50% / 50% (if directly billed). If LEC - billed, then 50/50 after 45% selling cost)

YP.NET SYNDICATION AGREEMENT

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SCHEDULE FOUR

OVERAGE FEES

- 0-299,999
- 300,000-999,999
- 1,000,000-1,999,999
- 2,000,000-4,999,999
- 5,000,000+

\$10,000 \$20,000 \$30,000 \$60,000 \$60,000 + \$.012 per query

Overage Fees are to be calculated annually, and are not cumulative. That is, if the number of excess queries falls within the tier of 5,000,000 +, the Overage Fee is \$60,000 plus the calculated incremental amount.

If the number is between 1,000,000 and 1,999,999, the Overage Fee is \$30,000 only.

YP.NET SYNDICATION AGREEMENT

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SCHEDULE FIVE

PRICING MODEL FOR SYNDICATIONS TO THIRD PARTIES

This schedule refers to syndication defined as distribution to other web sites for display to their end users of records that already exist in the i41 I database that are organized into a defined product or service category or a

defined location category or a combination thereof "Syndication", as it is used in this agreement, does not refer to the collection and integration of any third-party data.

1. Set-Up Fee
2. INFRASTRUCTURE CHARGE (ANNUAL)
3. SYNDICATION FEE (ANNUAL)

Based on requirements

Based on annual traffic expectations:

Up to 299,999 queries: \$10,000
- -----

300,000 - 999,999 queries: \$20,000
- -----

1,000,000 - 4,999,999 queries: \$30,000
- -----

5 million + queries: \$60,000 + \$0.12 per query

Based on Number of Listings

Up to 99,999 Listings: \$5,000
- -----

100,000-4,999,999 Listings: \$10,000
- -----

5 million listings+: \$25,000

Syndication and Infrastructure Fees are not cumulative. That is, if the number of expected queries falls within the tier of 5,000,000 +, the Infrastructure Fee is \$60,000 plus the calculated incremental amount.

YPNET SYNDICATION AGREEMENT

F I N 0", o0A'

FINANCIAL INNOVATORS

Via: FEDERAL EXPRESS
- - - - -

February 8, 2001

Mr. Angelo Tullo
President & Chief Executive Officer
TELCO BILLING, INC.
4840 East Jasmine Street, Suite 105
Mesa, AZ 85205

FINOVA CAPITAL CORPORATION COMMERCIAL SERVICES

355 SOUTH GRAND AVENUE SUITE 2500 LOS ANGELES, CA 90071

TEL 213253 1600 FAX 213 625 3155

Re: FORBEARANCE LETTER AGREEMENT RE EVENTS OF DEFAULT UNDER LOAN AND SECURITY AGREEMENT DATED AUGUST 31, 1999 (AS AMENDED FROM TIME TO TIME, THE "LOAN AGREEMENT"; CAPITALIZED TERMS USED HEREIN SHALL HAVE THE MEANINGS GIVEN IN THE LOAN AGREEMENT UNLESS OTHERWISE DEFINED) BETWEEN TELCO BILLING, INC. ("BORROWER") AND FINOVA CAPITAL CORPORATION ("FINOVA") AS SUCCESSOR BY MERGER TO FREMONT FINANCIAL CORPORATION

Dear Mr. Tullo:

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

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

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

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

D. Pursuant to the Forbearance Agreement, FINOVA agreed to forbear from exercising its rights and remedies, subject to the conditions set forth in the Forbearance Agreement, until October 3, 2000. Such forbearance period was subsequently amended by various letter amendments until February 7, 2001.

TELCO BILLING, INC.

2/8/01

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

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

1. Acknowledszement of FactualRecitals. The parties acknowledge the truth,

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

Acknowledgment of Validity and Enforceability of Loan Documents and

Obligations. Borrower acknowledges and agrees that the Loan Agreement and other

Loan Documents are valid and enforceable according to their terms. As of February 07, 2001, the total amount of the outstanding principal balance of the Revolving Advances is approximately \$747,529.03 plus all accrued but unpaid interest, fees and charges.

3. Acknowledgment of Validity of Security Interest. Borrower acknowledges the

validity of FINOVA's security interest in the Collateral and acknowledges that the Collateral continues to secure all of the Obligations.

4. Acknowledgment of Defaults. Borrower acknowledges that Events of Default

exist under the Loan Documents and that, but for this Agreement, FINOVA could exercise all of its rights available thereunder or at law or in equity.

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

6. Reaffirmation of Loan Documents. Borrower and, where applicable,

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

TELCO BILLING, INC.

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7. Forbearance.

(a) Forbearance Period. Provided Borrower performs all terms and conditions

in this Agreement, and no Events of Default other than those referenced in the Default Letters (as defined in the Forbearance Agreement) shall have occurred under the Loan Agreement, FINOVA shall forbear from exercising its rights and remedies under the Loan Documents until March 9, 2001 (the "Forbearance Termination Date"). Upon the earliest to occur of (i) the Forbearance Termination Date, (ii) the occurrence of an Event of Default or (iii) a breach by Borrower of the terms and conditions of this Agreement, all Obligations shall be immediately due and payable and FINOVA may resort to all rights and remedies available under the Loan Documents, at law and/or in equity.

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

following terms shall apply:

(i) Section 2.1A of the Loan Agreement shall be deleted in its entirety and replaced with the following:

A. REVOLVING ADVANCES. Upon request of Borrower made at any time during the term hereof and so long as no Event of Default exists, FINOVA shall, at its sole

discretion, make advances (Revolving Advances) to Borrower in an amount equal to (a) fifty percent (50%) of the aggregate outstanding amount of Eligible Accounts; provided, however, that in no event shall the aggregate amount of the outstanding Revolving Advances be greater than the sum of Seven Hundred Fifty Thousand Dollars (\$750,000) (the Revolving Advance Limit). FINOVA may reduce its advance rates on Eligible Accounts, reduce the Revolving Advance Limit, or establish resets with respect to borrowing availability if FINOVA determines, in its sole discretion, that there has occurred, or is likely to occur, an impairment of the prospect of repayment of all or any portion of the Obligations, the value of the Collateral or the validity or priority of FINOVA's security interests in the Collateral.

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

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

TELCO BILLING, INC.

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8. Conditions Precedent. FINOVA's agreement to enter into this Agreement and

grant the forbearance provided herein is expressly conditioned on Borrower executing and delivering this Agreement to FINOVA and causing Guarantor to execute and deliver an acknowledgment and reaffirmation of the Guaranty and the release provided herein, on or before 5:00 p.m. California time on February 8, 2000.

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

10. No Further Forbearance. Borrower acknowledges FINOVA is not obligated to

grant further extensions beyond the Forbearance Termination Date and that no such commitment has been communicated.

11. RELEASE. BORROWER AND GUARANTOR, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, REPRESENTATIVES, EMPLOYEES, PREDECESSORS, SUCCESSORS, AGENTS AND ASSIGNS (COLLECTIVELY, "RELEASING PARTIES") EACH HEREBY RELEASE, REMISE AND FOREVER DISCHARGE FINOVA, AND ITS OFFICERS, DIRECTORS, EMPLOYEES, PREDECESSORS, SUCCESSORS, AGENTS AND ASSIGNS (COLLECTIVELY "RELEASED PARTIES"), FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, CAUSE OR CAUSES OF ACTION HERETOFORE ARISING OUT OF, OR CONNECTED WITH OR INCIDENTAL TO THE LOAN AGREEMENT OR ANY LOAN DOCUMENTS. THIS GENERAL RELEASE IS INTENDED TO BE A FULL AND COMPLETE RELEASE OF ANY SUCH CLAIMS, DEMANDS, ACTIONS, CAUSE OR CAUSES OF ACTION CONNECTED IN ANY WAY TO THE LOAN AGREEMENT AND WHICH HAVE HERETOFORE ARISEN.

RELEASING PARTIES EACH ACKNOWLEDGE AND AGREE THAT THEY ARE AWARE THAT THEY MAY HEREAFTER DISCOVER CLAIMS PRESENTLY UNKNOWN OR UNSUSPECTED, OR FACTS IN ADDITION TO OR DIFFERENT FROM THOSE WHICH THEY NOW KNOW OR BELIEVE TO BE TRUE. NEVERTHELESS, IT IS THE INTENTION OF THE RELEASING PARTIES, AND EACH OF THEM, THROUGH THIS AGREEMENT, TO FULLY, FINALLY AND FOREVER RELEASE ALL SUCH MATTERS AND CLAIMS RELATIVE THERETO, WHICH DO NOW EXIST, MAY EXIST, OR HERETOFORE HAVE EXISTED. IN THIS REGARD, RELEASING PARTIES SPECIFICALLY WAIVE THE BENEFIT OF THE PROVISIONS OF SECTION 1542 OF THE CIVIL CODE OF THE STATE OF CALIFORNIA, WHICH PROVIDES: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM' MUSTHAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

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12. Fee. In consideration of the extension to the forbearance period granted hereby, Borrower shall pay to FINOVA a fee of _____ shall be fully earned and due and payable on the date hereof.

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

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

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

14. Miscellaneous. _____

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

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

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

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

(e) GOVERNING LAW; WAIVERS. THIS AGREEMENT, INCLUDING WITHOUT LIMITATION _____ ENFORCEMENT OF THE OBLIGATIONS, SHALL BE

TELCO BILLING, INC.

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INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE CONFLICT OF LAWS RULES) OF THE STATE OF CALIFORNIA GOVERNING CONTRACTS TO BE PERFORMED ENTIRELY WITHIN SUCH STATE. BORROWER HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF LOS ANGELES IN THE STATE OF CALIFORNIA OR, AT THE SOLE OPTION OF FINOVA, IN ANY OTHER COURT IN WHICH FINOVA SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. BORROWER WAIVES ANY OBJECTION OF

FORUM NON CONVENIENS AND VENUE. BORROWER FURTHER WAIVES ANY RIGHT IT MAY OTHERWISE HAVE TO COLLATERALLY ATTACK ANY JUDGMENT ENTERED AGAINST IT.

(f) MUTUAL WAIVER OF RIGHT TO JURY TRIAL. FINOVA AND BORROWER EACH HEREBY

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

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

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

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

TELCO BILLING, INC.

By

Name:

Title:

FINOVA CAPITAL CORPORATION

TELCO BILLING, INC.

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By:

Name:

Title:

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Guarantor's Acknowledgment

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

YP. NET, INC.

By:

Name:

Title: