

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 June 30, 2001

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
incorporation or organization) Identification No.)

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 X No
--- ---

The number of shares of the issuer's common equity outstanding as of August
1, 2001 was 40,615,464 shares of common stock, par value \$.001.

Transitional Small Business Disclosure Format (check one):

Yes --- No X
--- ---

YP.NET, INC.
INDEX TO FORM 10-QSB FILING
FOR THE QUARTER ENDED JUNE 30, 2001

TABLE OF CONTENTS

PART I	
FINANCIAL INFORMATION	PAGE
Item 1. Financial Statements	
Consolidated Comparative Balance Sheets as of June 30, 2001	2
Consolidated Statements of Operations for the Three Months and Nine Months Ended June 30, 2001 (unaudited) and 2000 (unaudited)	3
Consolidated Statements of Cash Flows for the Three Months and Nine Months Ended June 30, 2001 (unaudited) and 2000 (unaudited)	4
Notes to the Consolidated Financial Statements	5-7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8-11
PART II	
OTHER INFORMATION	
Item 1. Legal Proceedings	11-12
Item 2. Changes in Securities	13
Item 6. Exhibits and Reports on Form 8-K	13

SIGNATURES

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

YP.NET, INC.
CONSOLIDATED
BALANCE SHEETS
AS OF JUNE 30, 2001
ASSETS

JUNE 30, 2001
(unaudited)
<C>

<S>	
CURRENT ASSETS:	
Cash and Cash Equivalents	\$ 51,087
Accounts Receivable	2,951,804
Prepaid Expenses	114,478
Direct Response Marketing - Net	210,166
Deferred income taxes	1,018,291

TOTAL CURRENT ASSETS	4,345,826

PROPERTY AND EQUIPMENT:	
Furniture and Fixtures	197,260
Equipment & Computer Equipment	261,981
Leasehold Improvements	319,150
LESS: Accumulated Depreciation and Amortization	(377,214)

TOTAL PROPERTY AND EQUIPMENT	401,177

OTHER ASSETS:	
Notes Receivables	129,273
Intangible Assets	5,010,000
Deposits	40,064
LESS: Accumulated Amortization	(970,416)

TOTAL OTHER ASSETS	4,208,921

TOTAL ASSETS	8,955,924

LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Trade Accounts Payable	118,525
Income Taxes Payable	1,212,681
Short-Term Notes Payable - Note 1	524,726
Short-Term Notes Payables - Note 2	708,781

TOTAL CURRENT LIABILITIES	2,564,713

LONG-TERM LIABILITIES:	
Deferred income taxes	105,868

TOTAL LONG-TERM LIABILITIES	105,868

TOTAL LIABILITIES	2,670,581

STOCKHOLDER' EQUITY:	
Common Stock \$.001 par value, 50,000,000 shares 40,615,464 and 40,560,464 issued and outstanding For June 30, 2001.	40,836
Additional Paid In Capital	5,445,587
Treasury Stock	(179,822)
Retained Earnings	978,742

TOTAL STOCKHOLDERS' EQUITY	6,285,343
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,955,924

</TABLE>

See the accompanying notes to these unaudited financial statements

2

<TABLE>
<CAPTION>

YP.NET, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND NINE MONTHS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	THREE MONTH ENDED JUNE 30, 2001	NINE MONTH ENDED JUNE 30, 2001	THREE MONTH ENDED JUNE 30, 2000	NINE MONTH ENDED JUNE 30, 2000
	(unaudited)			
<S>	<C>	<C>	<C>	<C>
INCOME				
Revenue	\$ 4,033,088	\$ 13,098,596	\$ 4,247,263	\$ 10,370,820
COST OF SALES	2,484,985	7,811,691	2,238,838	4,967,439
	-----	-----	-----	-----
GROSS PROFIT	1,548,103	5,286,905	2,008,425	5,403,382
	-----	-----	-----	-----

SELLING EXPENSES	14,623	50,095	2,149	22,932
GENERAL AND ADMINISTRATIVE	667,216	2,188,773	629,267	2,941,367
DEPRECIATION AND AMORTIZATION	151,536	456,251	154,930	466,185
TOTAL EXPENSES	833,375	2,695,119	786,346	3,430,483
EARNINGS (LOSS) FROM OPERATIONS	714,729	2,591,786	1,222,080	1,972,898
OTHER INCOME (EXPENSE)				
Other Income	57	121	10,270	45,518
Interest Income/(Expense)	(96,418)	(364,880)	(199,541)	(571,695)
TOTAL OTHER INCOME (EXPENSE)	(96,361)	(364,759)	(189,271)	(526,178)
Net Income (Loss) Before Income Taxes	618,367	2,227,027	1,032,809	1,446,721
Provisions for Income Taxes	189,515	705,345	-0-	(100,494)
NET INCOME (LOSS)	\$ 428,852	\$ 1,521,682	\$ 1,032,809	\$ 1,547,215
EARNINGS (LOSS) PER SHARE:				
Basic Earnings (Loss) Per Share	\$ 0.01	\$ 0.04	\$ 0.03	\$ 0.04
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	40,615,464	40,362,083	40,986,354	40,516,876
Diluted Earnings (Loss) Per Share	\$ 0.01	\$ 0.04	\$ 0.03	\$ 0.04
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON SHARE EQUIVALENTS OUTSTANDING	40,615,464	40,362,083	40,986,354	40,516,876

See the accompanying notes to these unaudited financial statements

3

<TABLE>
<CAPTION>

YP.NET, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS AND NINE MONTHS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	THREE MONTHS ENDED JUNE 30, 2001	NINE MONTHS ENDED JUNE 30, 2001	THREE MONTHS ENDED JUNE 30, 2000	NINE MONTHS ENDED JUNE 30, 2000
	(unaudited)			
CASH FLOWS FROM OPERATING ACTIVITIES				
<S> Net Income	<C> \$ 428,852	<C> \$ 1,521,682	<C> \$ 1,032,809	<C> \$ 1,547,215
Adjustments to reconcile net income to net cash used by operating activities.				
Depreciation and amortization	39,452	121,211	37,014	108,268
Officers & Consultants paid with common stock	-0-	59,700	115,500	878,669
Common stock surrendered	-0-	(494,310)	-0-	-0-
Amortization of intellectual property	107,402	334,902	117,917	357,917
Income tax benefit	189,515	705,345	-0-	(100,494)
(Increase) decrease in assets				
Trade accounts receivable	(134,021)	754,078	(373,548)	(2,079,905)
Customer acquisition costs	(210,166)	(71,320)	(79,569)	68,019
Other Receivables	(129,273)	(129,273)	-0-	77,182
Prepaid and other current assets	155,556	98,053	30,550	(85,681)
Other assets	(16,777)	(26,777)	-0-	31,368
Increase (decrease) in liabilities				
Trade accounts payable	54,947	15,508	18,444	34,913
Accrued liabilities	(46,494)	(328,201)	(339,402)	(534,628)
Deferred revenue	-0-	-0-	-0-	(81,190)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	438,993	2,560,598	559,715	221,654
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	(5,441)	(15,138)	(30,037)	(186,631)
NET CASH USED BY INVESTING ACTIVITIES	(5,441)	(15,138)	(30,037)	(186,631)
CASH FLOWS FROM FINANCING ACTIVITIES				

Advances from line of credit	-0-	-0-	87,275	984,923
Principal repayments on notes payable	(654,427)	(2,713,986)	(600,512)	(1,151,178)

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(654,427)	(2,713,986)	(513,237)	(166,255)
NET INCREASE (DECREASE) IN CASH	(220,875)	(168,526)	16,441	(131,232)
CASH AT BEGINNING OF PERIOD	271,962	219,613	107,650	255,323
CASH AT END OF PERIOD	\$ 51,087	\$ 51,087	\$ 124,091	\$ 124,091
=====				

</TABLE>

See the accompanying notes to these unaudited financial statements

4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2001 AND JUNE 30, 2000

1. Basis of Presentation

The accompanying unaudited financial statements represent the consolidated financial position of YP.Net, Inc. ("the Company") for the three and nine months ended June 30, 2001 and 2000 include results of operations of the Company and Telco Billing, Inc. ("Telco"), its wholly owned subsidiary, and cash flows for the three and nine months ended June 30, 2001 and 2000. These statements have been prepared in accordance with generally accepted accounting principles ("GAAP") 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 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 and nine months period ended June 30, 2001 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, and Form 10-KSB/A 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

The accounting policies followed by the Company, and the methods of applying those policies, which affect the determination of its financial position, results of operations and 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 the Company and its wholly owned subsidiary, Telco. All intercompany accounts in consolidation have been eliminated.

Revenue Recognition

The Company's revenue is generated by customer subscription of directory and advertising services. Revenue is recognized monthly for services subscribed in that specific month. The Company 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. The Company recognizes revenue based on net billings accepted by the LECs. Net billings result from gross submittals reduced by billing records rejected by the LEC's and adjusted for resubmittals. Revenue is reported gross of fees charged by the billing company and the LEC's.

5

Fair Value of Financial Instruments

The carrying amounts for 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. The Company has 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. The Company has 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, the Company has 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 its common stock for all of the common stock of Telco, which were 2,000 shares.

4. Intangible Asset

In connection with the Company's acquisition of Telco, the Company is 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. The Company's management believes that the Company's business is dependent on its ability to utilize this URL given the recognition of the "yellow page" term. The Company's management believes that the current revenue and cash flow generated using the URL Yellow-Page.Net

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

6

5. Notes Payable and Line of Credit

Notes payables are recorded and interest is accrued in accordance with the individual terms of each note. Notes payable at June 30, 2001 were as follows:

Note 1: The Company entered into a loan agreement with Mr. Joseph Van Sickle

during the acquisition of Telco under which Mr. Van Sickle lent \$2,000,000 to the Company. At June 30, 2001 this note payable had an outstanding balance of \$524,726. Mr. Van Sickle is a shareholder of the Company and owns approximately one percent of the Company's 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 2: The Company entered into an agreement with Matthew & Markson, Ltd., an

Antigua corporation ("M&M"), in conjunction with the acquisition of Telco for the license of the URL Yellow-Page.Net. The Company agreed to pay M&M

\$5,000,000 to license URL Yellow-Page.Net. At June 30, 2001 the M&M note

payable had an outstanding balance of \$708,781. M&M owns approximately 23% 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 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.

7. Income Taxes

The Company provides for income taxes based on the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of financial statements. The provision for income taxes for interim periods is calculated on the basis of the expected effective rate for the full year.

7

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 "Forward-Looking Statements" below.

OVERVIEW

YP.Net, Inc. ("we" or "our" refers to the "Company") 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 Billing, Inc. ("Telco"), the Company shifted its focus of business and changed its name to YP.Net, Inc., effective October 1, 1999. The new name was chosen to reflect our focus on our Internet-based yellow page services.

We provide Internet-based yellow page listing services on our Yellow-Page.Net and YP.Net Web sites. We acquired Telco in June 1999, changing

our primary business focus to become an Internet-based yellow page listing service. Our websites 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 our websites.

We have experienced continued increases in competition in the Internet 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. However, we have implemented a customer contact programs with the goals of assisting us in maintaining our customer base and growing our customer base without direct mail marketing efforts. We resumed our direct mailing program in February 2001 on a limited basis. As of September 30, 2000, we had 130,592 customers subscribing to our services. As of June 30, 2001, we had 99,862 customers. We believe the decrease in our customer base for these periods was primarily the result of natural attrition we have not sent a direct mailer to customers since June 2000 due to our election to close any open issues with the Federal Trade Commission. We have continued our customer contact program to attempt to increase our customer satisfaction and limit customer attrition. This program has and will continue to provide decrease in attrition and better customer satisfaction.

8

On July 30, 2001 the Company received a signed Stipulated Final Judgment and Order for Permanent Injunction and other Equitable Relief. The Company and the Federal Trade Commission agreed to this stipulation and the complaint states a claim upon which relief may be granted against the Company. There have been no findings or admissions of any wrongdoing by the Company. The Company has been restrained from using the word "rebate" on their solicitation and must state that the mailer is a solicitation of goods and services. The Company is also not allowed to use the "walking fingers" logo and we are also required to allow a refund to our customers from 90 days to 120 days. The Company has begun a test solicitation of 250,000 mail pieces incorporating all of the Federal Trade Commission changes in different formats. The Company will evaluate the results. Before resuming a regular mail solicitation program over 3000 new customers have responded to our test mailers. The above four items, and others have been adhered to by the Company in all of its future direct mailers. The Company has replace all direct mailers with the required stipulations set forth by the Federal Trade Commission. All parties have been exonerated of the preliminary injunction filed on June 26, 2000.

Expenditures related to consulting fees were significant in the three and nine months period ended June 30, 2001 and 2000. Management believes that these expenditures will not be as significant in future periods. The consulting fees expended were to implement policy and procedures to comply with the stipulated order from the Federal Trade Commission and these expenses have adversely affected our current earnings for the three months and nine months ended June 30, 2001.

Management is actively pursuing rescission and cancellation of certain common and preferred stock that was previously issued for services. The preferred shares that were issued by prior management of 1,500,000 of preferred shares have been cancelled and will not be converted and any person or entity holding the preferred shares should contact current management.

Management has presently entered into a written agreement to settle and return of 1,425,334 shares of common stock that was issued by prior management to Hudson Consulting Group, Inc. The parties had prior offers to settle the dispute over the issuance of common stock to Hudson Consulting Group, Inc. by prior management however the Company later settled the matter at a mediation hearing on July 16, 2001 for \$85,000. The current management of the Company was informed that the owners of Hudson Consulting Group Inc., Allen Wolfson, was barred from working in the securities industry by the Securities Exchange Commission. Current management has also assured the NASD Regulation that prior management is no longer an employee, officer, or director of YP.Net. The

cancellation of these shares will decrease our total outstanding shares, which will affect our earners per share.

Our co-branded syndication with I411.com has provided our preferred customers and those using our site to find goods and services easier and faster. This arrangement has allowed us to have additional advertising space on our website which Management believes will bring in additional revenue. With I411.com powering our sites we will have more pages with our "Look and Feel". Management believes this syndication will help attract more people to our site. The company now has the ability to sell syndicate yellow page sites. The company is already able to offer our client visible storefronts. Through visible storefronts our clients will be able to set up "Web Stores" easily and cheaply; complete with the ability to utilize credit cards to process orders. Management is currently testing these products and believes that they have the potential to add income. Management is also in the process of expanding its syndication revenue by offering web page designs and maps for Internet yellow page customers. We presently have approximately 3 million hits per month, which we believe will expand our customer base.

9

Management believes that our Direct Response Program if partnered with other reputable companies could be an additional source of revenue. The Company has embarked on a program to find and solicit promotional partners for its Direct Response Program on a test basis.

RESULTS OF OPERATIONS

Our Internet yellow page service is currently the sole source of our revenue. Revenues were \$4,033,088 and \$13,098,596 for the three and nine months period ended June 30, 2001, compared to \$4,247,263 and \$10,370,820 for three and nine months period ended June 30, 2000, respectively. 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 from advertising media through our new co-branding agreement with I411.com and syndication programs being developed.

Cost of Sales were \$2,484,985 and \$7,811,691 for three and nine months period ended June 30, 2001, compared to \$2,238,838 and \$4,967,439 for three and nine months period ended June 30, 2000, respectively. Cost of sales is comprised of dilution expenses, allowances for bad debt, direct mailer marketing costs, and our billing costs. Dilution expenses include customer credits and any other receivable write-downs. Dilution expenses were approximately \$1,171,935 for the three months ended June 30, 2001 compared to \$1,216,829 for June 30, 2000. Cost of sales inclusive of dilution expenses has primarily increased because the expenses are directly related to the increase in revenue. Our cost of sales has increased also because an increase in dilution primarily due to the increase in competitive local exchange carriers (CLEC) that cannot be billed through the LEC's. Our dilution costs have also increased and we have reconciled the dilution expense to our data provided by the billing companies and have found unanswered and irreconcilable differences. We are presently requesting and audit of these differences and are awaiting the results. In our financial statements for the period ending we have recorded a more conservative amount of dilution. Therefore, any offsets will affect our net income. We have also made corrective steps to counter the increase in CLEC's by billing on credit cards and ACH.

Selling expenses were \$14,623 and \$50,095 for three and nine months period ended June 30, 2001, compared to \$2,149 and \$22,932 for three and nine months period ended June 30, 2000, respectively. Selling costs are primarily associated with general advertising and marketing of other revenue sources.

General and administrative expenses were \$667,216 and \$2,188,773 for three and nine months period ended June 30, 2001, compared to \$629,297 and \$2,941,367 for three and nine months period ended June 30, 2000, respectively. These costs are primarily related to staffing, which we believe provides better service to our customers. For the three months ended June 30, 2001 our professional fees were 93,432 compared to \$121,724 for June 30, 2000, the decrease is primarily due to the final settlement of defending and negotiating with the Federal Trade Commission related to the allegations that the Company engaged in deceptive advertising. We settled with the Federal Trade Commission and entered into a final stipulated order for permanent injunction or other equitable relief on July 30, 2001. There were not findings or admissions of any wrongdoing.

Interest expense net of interest income was \$96,418 and \$364,880 for three and nine months period ended June 30, 2001, compared to \$199,541 and \$571,695 for three and nine months period ended June 30, 2000, respectively. Interest expense was a result of our outstanding debt. This outstanding debt included debt incurred in connection with the acquisition of the URL Yellow-Page.Net. The

reduction in interest expense is due to the payoff of our credit facility with Finova Capital Corporation, and the reduction of Matthew Markson Ltd, and Joseph and Helen Van Sickles.

10

Net Income before income taxes was \$618,367 and net income was \$428,852 or \$.01 per diluted share, and \$2,227,027 net income before income tax and net income was \$1,521,682 or \$.04 per diluted share, for the three and nine month periods ended June 30, 2001, compared to \$1,032,809 net income before income taxes and \$1,032,809 net income, or \$.03 per diluted share, and \$1,446,721 net

income before income taxes and \$1,547,215 net income, or \$.04 per diluted share, for the three and nine month periods ended June 30, 2000. The decrease in Net income is primarily due to the attrition of our customers from reduced marketing efforts due to the Federal Trade Commission's requirements. We have received a final settlement with the Federal Trade Commission we have received a final stipulation order for permanent injunction of other equitable relief on July 30, 2001. We have made now resumed our marketing efforts and have incorporated the corrective changes to our direct mailer to comply with the changes required. We have reconciled the dilution expense to our data provided by the billing companies and have found unanswered and irreconcilable differences. We are presently requesting and audit of these differences and are awaiting the results. In our financial statements for the period ending we have recorded a more conservative amount of dilution. Therefore, any offsets will affect our net income. We anticipate increasing marketing efforts in our fourth quarter ended September 30, 2001.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was \$2,560,598 for the nine months period ended June 30, 2001, compared to cash provided by operating activities of 221,654 for the nine months period ended June 30, 2000. Revenue was generated solely from providing electronic yellow page listing advertising. Cash from operating activities for the nine months period ended June 30, 2001 was used to increase our customer acquisition costs (\$71,320), other accounts receivables (\$129,273), and security deposits (\$26,777), and to decrease trade accounts receivables by \$754,078, prepaid expenses \$98,053, and accrued liabilities (\$328,201). Cash in the nine months period ended June 30, 2000 was generated by an increase in our accounts receivables (\$2,079,905), in prepaid assets (\$85,681), and by decreases in accrued liabilities (\$534,628), deferred revenue (\$81,190) and customer acquisition costs \$68,019.

11

Cash used by investing activities was \$15,138 for the nine months period ended June 30, 2001, compared to \$186,631 for the nine months ended June 30, 2000. We purchased additional computer equipment of \$15,138 for June 30, 2001 compared to \$186,631 for June 30, 2000.

Cash used by financing activities was \$2,713,986 for nine months period ended June 30, 2001, compared to cash used by financing activities of \$166,255 for the nine months ended June 30, 2000. The cash used by financing activities of \$2,713,986 represents total payments made to reduce the principle balances of the outstanding notes for June 30, 2001. Cash used by financing activities was \$166,255 for the nine months period ended June 30, 2000; we realized cash of \$984,923 from advances on our line of credit and utilized \$1,151,178 to pay notes payable.

We have paid off our credit facility with Finova Corporation on June 8, 2001. Management is seeking other potential lenders that specialize in financing businesses utilizing LEC billings. We do not anticipate these changes to have an adverse affect on our ability to continue operating at our current levels.

OTHER CONSIDERATIONS

There are numerous factors that affect the Company 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 Internet-based 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.

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 and Form 10-KSB/A which is incorporated by reference in this Form 10-QSB.

12

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 the Form 10-KSB and 10-KSB/A, may be accessed at the SEC's Web site, www.sec.gov.

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 and Form 10-KSB/A for the year ended September 30, 2000.

We have settled through a mediation hearing with Hudson Consulting Group, Inc. on July 16, 2001. Prior management issued 1,425,334 shares of common stock to Hudson Consulting Group, Inc. for service to include but not be limited to advise the Company on the availability of potential lenders in the Company's market niche, assist in evaluating potential Public Relation firms and Investor Relations firms, and contact market makers and to provide other financial services. These services were never rendered, since Allen Wolfson, the owner of Hudson Consulting Group, Inc., and was barred from working in the securities industry by the Securities Exchange Commission. The Company agreed to pay \$85,000 for the return of 1,425,334 shares of its common stock. The results of these proceedings will reduce the number of common stock outstanding and increase our earning per share.

On June 26, 2000 the Federal Trade Commission ("FTC") filed a complaint against the Company and other defendants alleging that the Company and other defendants were engaged in deceptive advertising practices and sought a preliminary injunctive and the appointment of a receiver business and to freeze all our 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 global settlement with the FTC, resulting in dismissal of the receiver and termination of the asset freeze. The legal fees and litigation related to the FTC allegation have adversely affected our profitability and caused our marketing efforts to be greatly curtailed. We have entered into a Stipulated Final Judgement and Order For Permanent Injunction and other Equitable Relief with the FTC on July 30, 2001. Which Judge Stephen Macnamee has now signed. The company has never admitted liability. In this order we are required to modify our direct mailer that are mailed to our customers. There have been no findings or admissions of any wrongdoing by YP.Net, Inc. The order, in the opinion of management, should not and has not materially and adversely affect the Company's business.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

13

EXHIBITS

- 10.1 Federal Trade Commission Settlement Agreement
- 10.2 Hudson Consulting Group, Inc. Settlement Agreement

REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the three months ended June 30, 2001.

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: August 14, 2001

By /s/ Angelo Tullo

Angelo Tullo, Chairman of the Board

14

```

|-----|
| X FILED          LODGED |
| -                -     |
| RECEIVED        COPY   |
| -                -     |
|                JUL 30 2001 |
|                         |
| CLERK US DISTRICT COURT |
| DISTRICT OF ARIZONA    |
| BY /s/             DEPUTY |
| -----           |
|-----|
    
```

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA, PHOENIX DIVISION

Federal Trade Commission,)	CV- No. 00-1210 PHX SMM
Plaintiff,)	STIPULATED FINAL JUDGMENT
v.)	AND ORDER FOR PERMANENT
)	INJUNCTION AND OTHER
)	EQUITABLE RELIEF
YP.Net, Inc., et al.,)	AS TO DEFENDANTS YP.NET,
Defendants.)	TELCO BILLING, PUBLICATION
)	MANAGEMENT, WILLIAM
)	O'NEAL, AND GREGORY CRANE

Plaintiff, Federal Trade Commission ("FTC" or "Commission"), having filed its Complaint for permanent injunction and other relief in this matter, pursuant to Sections 5(a) and 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. Sec.Sec. 45(a) and 53(b), and the parties having agreed to settle this action without adjudication or admission of any issue of fact or law, therefore, pursuant to stipulation of the parties, it is hereby ORDERED, ADJUDGED, AND DECREED as follows:

FINDINGS

1. This Court has jurisdiction of the subject matter of this case and of the parties hereto.
2. Venue is proper as to all parties in the District of Arizona under 15 U.S.C. Sec. 53(b), and 28 U.S.C. Sec.Sec. 1391(b) and (c).
3. The alleged activities of Defendants (as "Defendants" are defined below) are in or affecting commerce, as defined in the FTC Act, 15 U.S.C. Sec. 44.
4. The Complaint states a claim upon which relief may be granted against Defendants under Sections 5(a) and 13(b) of the Federal Trade Commission Act, 15 U.S.C. Sec.Sec. 45(a) and 53(b). There have been no findings or admissions of any wrongdoing by the Defendants.
5. The Commission and Defendants, by and through their counsel, have agreed that the entry of this Order resolves all matters arising from the allegations of the Complaint in this action. This Order supersedes all prior Orders in this matter.
6. Defendants waive all rights to seek judicial review or otherwise challenge or contest the validity of this Order.
7. Entry of this Order is in the public interest.

ORDER

DEFINITIONS

1. "DEFENDANTS" means Gregory B. Crane, William D. O'Neal, YP.Net, Inc., Telco Billing, Inc., d/b/a Yellow-Page.Net, and Publication Management, Inc.
2. "DOCUMENT" is equal in scope and synonymous in meaning to the usage of the

term in Federal Rule of Civil Procedure 34(a), and includes writings, drawings, graphs, charts, photographs, audio and video recordings, computer records, and any other data compilations from which information can be obtained.

3. "INTERNET" means a worldwide system of linked computer networks that use a common protocol (TCP/IP) to deliver and receive information. The "Internet" includes, but is not limited to, the following forms of electronic communication: file transfers, electronic mail, the World Wide Web, newsgroups, Internet Relay Chat, audio, and video.
4. "LEC" OR "LOCAL EXCHANGE CARRIER" means the local telephone company from which a consumer or entity receives its telephone bill.
5. "SOLICITATION CHECK" means any check that, if deposited or cashed by the consumer, signs the consumer up for any Internet-related goods or services, sold by Defendants.
6. "WEB SITE" is a set of electronic documents, usually a home page and subordinate pages, readily viewable on computer by anyone with access to the Internet, standard software, and knowledge of the web site's location or address.
7. "WEB PAGE" is a single electronic file or document displayed on the World Wide Web that includes at least the following elements: copy, graphics, layout, and internal technical design.
8. "INTERNET-RELATED SERVICES" means any product or service that assists persons to access, use, browse, advertise on, communicate through, or do business on the Internet, including, but not limited to: design, hosting and maintenance of web pages and web sites, providing Internet access or e-mail accounts, and establishing domain names and virtual domain names.
9. "RECEIVER FEES" means fees and costs incurred by the former Temporary Receiver, Lawrence J. Warfield, and his representatives, including attorneys and consultants.

PROHIBITED CONDUCT

I.

INJUNCTION AGAINST MISREPRESENTATIONS

IT IS THEREFORE ORDERED that in connection with the advertising, promotion, offering for sale, sale or provision of any goods or service, Defendants are hereby permanently restrained and enjoined from making or assisting in the making of, expressly or by implication, orally or in writing, any false or misleading statement or representation of material fact, including, but not limited to, representations that:

- A. Consumers can obtain a monetary rebate from Defendants without incurring any obligations to Defendants; and
- B. Defendants have a prior or ongoing business relationship with consumers.

II.

INJUNCTION AGAINST USING REBATE CHECKS TO SOLICIT CUSTOMERS

IT IS FURTHER ORDERED that Defendants are hereby permanently restrained and enjoined from sending consumers any solicitation check that uses the term "rebate," or any term that represents that Defendants have a prior or ongoing relationship with consumers, if that is not the case.

III.

REQUIRED DISCLOSURES

IT IS FURTHER ORDERED that in connection with the advertising, promotion, offering for sale, sale or provision of any goods or service, Defendants are permanently restrained and enjoined from failing to disclose, clearly and conspicuously:

- A. On the front of any solicitation check, or on the front of any stub attached to the check, a statement that notifies the payee that the check is part of a "solicitation" or that by cashing the check, the payee will become obligated to pay for a good or service;

B. On the back of the solicitation check, and above the endorsement line, a statement that notifies the payee of the amount and frequency of the charge that Defendants will impose if the payee deposits or endorses the check;

C. In connection with any solicitation check that uses a "walking fingers" logo, the statement in close proximity to the logo, in each place where the logo appears: "Not affiliated with any local or long distance phone company", or "Not affiliated with any phone company". Provided however, that if Defendants do in fact become affiliated with any telephone company, in such statement, Defendants may indicate the specific company affiliation as follows: "Affiliated with [name of telephone company], but may not be affiliated with your phone company" ; and

D. In a letter or statement attached to or enclosed with the solicitation check, all the material terms associated with depositing or endorsing the solicitation check, including: 1) a statement that Defendants will impose a charge if the payee deposits or endorses the check; 2) the amount, billing method, and frequency of the charge; 3) a description of the goods or services provided for the charge; and 4) an explanation of how to cancel and obtain a full refund within one hundred twenty (120) days of depositing the check, including a customer service telephone number for inquiries and/or cancellations.

IV.

REQUIRED CONFIRMATIONS AND CANCELLATIONS

IT IS FURTHER ORDERED that Defendants shall send all consumers who deposit solicitation checks from Defendants after the date of this Order, a written communication, sent by mail, confirming their agreement to purchase Defendants' services. Defendants shall send this communication within eighty (80) days after the date that a consumer deposited the solicitation check. The communication shall clearly and conspicuously state: 1) the good or service purchased; 2) the billing method and price; 3) the procedures for canceling and obtaining a full refund within one hundred twenty (120) days of depositing the solicitation check; and 4) the name, address, and telephone number that will appear on the consumer's Internet yellow page listing.

V.

CONSUMER NOTICES

IT IS FURTHER ORDERED that:

A. YP.Net shall, within thirty (30) days of the entry of this Order, mail a written notice and Refund Application, in the forms appended as Attachments A and B to this Order, to all YP.Net's current customers that signed up for YP.Net's services after April 1, 2000 by cashing a solicitation check sent before July 14, 2000.

B. Consumers shall have forty-five (45) days from the date YP.Net sent the notice to mail back a completed Refund Application, in the form appended as Attachment B to this Order. YP.Net shall provide a pre-addressed envelope with the notice and Refund Application.

C. Within sixty (60) days of receiving refund requests, YP.Net shall issue to each consumer the \$25.00 refund referenced in Attachments A and B, provided that the consumer has not already received a refund.

D. Within fifteen (15) days after they have mailed the notices, YP.Net shall submit an affidavit to the FTC, which shall, at a minimum, affirm the following: 1) the means used by Defendants to generate the list of consumers eligible to receive a notice; 2) the means used by Defendants to ensure that consumers' addresses are accurate; and 3) the number of notices sent and the dates on which they were sent.

E. Within thirty (30) days after it has mailed the notices, YP.Net shall submit an affidavit to the FTC, which shall affirm the following: 1) the number of notices returned by the Post Office as undeliverable; and 2) with respect to any such returned notices, the reasonable efforts made by YP.Net, such as calling the telephone number that was billed or obtaining updated information through the U.S. Post Office or other national databases, to obtain valid addresses for those consumers and mail notices to such addresses.

F. Within sixty (60) days of the issuance of the refunds YP.Net shall provide a report to the FTC describing the actions taken by YP.Net in compliance with this Section of the Order; the report shall also include a list of the names of consumers who received refunds, their addresses, and the amount of refunds they received, as well as the list of consumers who could not be

contacted by mail or telephone. This report shall also contain a list of any customers whose refund request was denied, and the reason for the denial.

GENERAL REQUIREMENTS

VI.

ACKNOWLEDGMENT OF RECEIPT OF ORDER BY DEFENDANTS

IT IS FURTHER ORDERED that, within five (5) business days after receipt by Defendants of this Order as entered by the Court, each Defendant shall submit to the Commission a truthful sworn statement, in the form shown on Attachment C to this Order, that shall acknowledge receipt of this Final Order.

VII.

DISTRIBUTION OF ORDER BY DEFENDANTS

IT IS FURTHER ORDERED that, for a period of three (3) years from the date of entry of this Order, each Defendant shall:

A. Provide a copy of this Order to, and obtain a signed and dated acknowledgment of receipt, or proof of service, from each officer, director, and each individual serving in a management capacity, whether designated as employees, consultants, independent contractors, or otherwise, immediately upon employing or retaining any such persons, for any business where:

- (1) A Defendant is the majority owner of the business or directly or indirectly manages or controls the business, and where
- (2) The business uses solicitation checks; and

B. Maintain and upon reasonable notice, make available to representatives of the Commission, the original signed and dated acknowledgments of the receipt, or proof of service, of copies of this Order, as required in Subsection (A) of this Paragraph.

VIII.

RECORD KEEPING PROVISIONS

IT IS FURTHER ORDERED that, for a period of three (3) years from the date of entry of this Order, Defendants, in connection with any business where:

- (1) A Defendant is the majority owner of the business or directly or indirectly manages or controls the business, and where
- (2) The business uses solicitation checks are hereby restrained and enjoined from failing to create, and from failing to retain for a period of three (3) years following the date of such creation, unless otherwise specified:

A. Books, records, and accounts that, in reasonable detail, accurately and fairly reflect the cost of goods or services sold, revenues generated, and the disbursement of such revenues;

B. Records accurately reflecting: the name, address, and telephone number of each person employed by such business, including independent contractors; that person's job title or position; the date upon which the person commenced work; and the date and reason for the person's termination, if applicable. The businesses subject to this Paragraph shall retain such records for any terminated employee for a period of two (2) years following the date of termination;

C. Records containing the names, addresses, phone numbers, dollar amounts paid, quantity of items and services purchased, and description of the items and services purchased, for all consumers to whom such business sold, invoiced, or shipped any goods and services;

D. Records that reflect, for every consumer complaint or refund request, received:

1. The consumer's name, street address, telephone number, and dollar amount paid by the consumer;
2. The complaint or refund request, if any, and the date of the complaint or refund request;
3. The basis of the complaint, if any, including the name of any salesperson complained against, and the nature and result of any investigation conducted concerning the complaint;

4. Each response by Defendant and the date of the response;
5. Any final resolution and the date of the resolution; and
6. In the event of a denial of a refund request, the reason for the denial; and

E. Copies of all sales scripts, training materials, advertisements, or other marketing materials used by Defendants; provided that copies of all sales scripts, training materials, advertisements, or other marketing materials utilized shall be retained for three (3) years after the last date of dissemination of any such materials.

IX.

COMPLIANCE REPORTING BY DEFENDANTS

IT IS FURTHER ORDERED that, in order that compliance with the provisions of this Order may be monitored:

A. For a period of three (3) years from the date of entry of this Order, each Defendant shall notify the Commission of the following:

1. Any changes in Defendant's business address, mailing addresses, and telephone numbers, within twenty (20) days of such change;
2. Any changes in the employment status (including self-employment) of any individual Defendant, within ten (10) days of such change. Such notice shall include the name and address of each business that the individual Defendant is employed by, or operates, a statement of the nature of the business, and a statement of the individual Defendant's duties and responsibilities in connection with the business or employment;
3. Any change in the structure of each Defendant, such as creation, incorporation, dissolution, assignment, sale, merger, dissolution of subsidiaries, filing of a bankruptcy petition, or change in the corporate name or address, or any other change that may affect compliance obligations arising out of this Order, within thirty (30) days of the effective date of any change;

B. Within one hundred eighty (180) days after the date of entry of this Order, each Defendant shall provide a written report to the FTC, sworn to under penalty of perjury, setting forth in detail the manner and form in which it has complied and is complying with this Order. This report shall include, but not be limited to:

1. Each individual Defendant's then current employment and business address, mailing addresses, and telephone numbers; the individual Defendant's title and responsibilities for each such employer or business;
2. Each corporate Defendant's then current business addresses and telephone numbers, a description of the business activities of each such employer or business, including a description of its marketing methods and goods and services sold, and a list of the names of all current officers and managers;
3. A copy of each acknowledgment of receipt of this Order obtained by each Defendant pursuant to Section VII of this Order;
4. A statement describing the manner in which each Defendant has complied and is complying with this Order;

C. Upon written reasonable request by a representative of the Commission, each Defendant shall submit additional written reports (under oath, if requested) and produce documents on fifteen (15) days notice with respect to any conduct subject to this Order;

D. For the purposes of this Order, each Defendant shall, unless otherwise directed by the Commission's authorized representatives, mail all written notifications to the Commission to:

Associate Director
Division of Marketing Practices
Federal Trade Commission, Room 238
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580
Re: FTC v. YP.Net, Inc., et al., CV- No. 00-1210 PHX SMM

E. For purposes of the compliance reporting required by this Paragraph, the Commission is authorized to communicate directly with Defendants unless or

until a Defendant informs the Commission that the Defendant is represented by counsel and would prefer that the Commission communicate directly with the Defendant's counsel.

X.

COMMISSION'S AUTHORITY TO MONITOR COMPLIANCE

IT IS FURTHER ORDERED that the Commission is authorized to monitor Defendants' compliance with this Order by all lawful means, including, but not limited to, the following:

A. For a period of three (3) years from the date of entry of this Order, the Commission is authorized, without further leave of court, to obtain discovery from any person in the manner provided by Chapter V of the Federal Rules of Civil Procedure, Fed. R. Civ. P. 26-37, and the Local Rules of this Court, including the use of compulsory process pursuant to Fed. R. Civ. P. 45, for the purpose of monitoring Defendants' compliance with any provision of this Order;

B. The Commission is authorized to use representatives posing as consumers or suppliers to Defendants, Defendants' employees, or any other entity managed or controlled in whole or in part by Defendants, without the necessity of identification or prior notice, as allowed by federal law; and

C. Nothing in this Order shall limit the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. Sec. 49 and 57b-1, to determine whether Defendants have violated any provision of this Order or Section 5 of the FTC Act, 15 U.S.C. Sec. 45.

XI.

ACCESS TO BUSINESS PREMISES

IT IS FURTHER ORDERED that, for a period of three (3) years from the date of entry of this Order, for the purpose of further determining compliance with this Order, Defendants shall permit representatives of the Commission, within four (4) business days of receipt of written notice from the Commission:

A. Access during normal business hours to any office, or facility storing documents, of any business where:

(1) A Defendant is the majority owner of the business or directly or indirectly manages or controls the business, and where

(2) The business uses solicitation checks. In providing such access, Defendants shall permit representatives of the Commission to inspect and copy all unprivileged documents relevant to any matter contained in this Order; and shall permit Commission representatives to remove such documents relevant to any matter contained in this Order for a period not to exceed two (2) business days so that the documents may be inspected, inventoried, and copied; and

B. To interview the owners, officers, directors, and employees, including all personnel involved in responding to consumer complaints or inquiries, and all sales personnel, whether designated as employees, consultants, independent contractors or otherwise, of any business to which Subsection (A) of this Paragraph applies, concerning matters relating to compliance with the terms of this Order. The person interviewed may have counsel present, and counsel for Defendants may be present as well.

XII.

COMPENSATION OF RECEIVER; RETURN OF DOCUMENTS

IT IS FURTHER ORDERED that:

A. All Receiver fees, allowed by the Court, shall be paid by Defendant YP.Net.

B. The Receiver shall return to Defendants all documents removed from Defendants' premises, and any copies thereof.

XIII.

EXONERATION OF BOND

IT IS FURTHER ORDERED that the bond posted by Defendant Crane pursuant to the Preliminary Injunction is hereby exonerated.

XIV.

COSTS

IT IS FURTHER ORDERED that each party shall bear its own costs and attorneys' fees incurred in connection with this action.

XV.

RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for the purpose of enabling the parties to apply to the Court at any time for such further orders and directives as may be necessary or appropriate for the interpretation or modification of this Order, for the enforcement of compliance therewith, or for the punishment of violations thereof.

XVI.

COMPLETE SETTLEMENT

The parties hereby consent to entry of the foregoing Order which shall constitute a final judgment and order in this matter. The parties further stipulate and agree that the entry of the foregoing Order shall constitute a full, complete and final settlement of this action. Defendants waive any rights they may have under the Equal Access to Justice Act, 28 U.S.C. Sec. 2412.

SO ORDERED, this 26th day of July, 2001, at 10:40 A.M., Phoenix, AZ.

Stephen McNaee

United States District Judge

FOR DEFENDANTS

FOR THE COMMISSION

/s/ Angelo Tullo

Angelo Tullo
Chairman of the Board
for Defendant YP.Net, Inc
Federal Trade Commission

/s/ Tracey L. Brown

Tracey L. Brown
Michael P. Mora
Attorneys for the Plaintiff

/s/ Randy Papetti

George L. Paul
Randy Papetti
Counsel for Defendant YP.Net

/s/ Daniel Madero

Daniel Madero
Director of Operations
for Defendant Telco Billing, Inc.

/s/ George L. Paul

George L. Paul
Randy Papetti
Counsel for Defendant Telco Billing, Inc.

/s/ Allen B. Bickart

- -----
Allen B. Bickart
for Defendant Publication Management, Inc.

/s/ William D. O'Neal

Defendant William D. O'Neal

/s/ Tyrell Taber

Tyrell Taber
Counsel for William D. O'Neal

/s/ Gregory B. Crane

Defendant Gregory B. Crane

/s/ Burton M. Bentley

Burton M. Bentley
Counsel for Gregory B. Crane

ATTACHMENT A

YELLOW-PAGE.NET CUSTOMER NOTICE

Re: Billing for Yellow-Page.Net Internet yellow page services.

Date:

Dear Advertiser:

As a Yellow-Page.Net customer, you are currently being billed \$12.50 a month by Yellow-Page.Net for your Internet yellow page preferred listing either on your telephone bill or by direct invoice. Concerns have been raised about whether customers intended to sign up for our services or were signed up by an unauthorized representative of your company. We are, therefore, writing to ensure that you (or a representative of your company or organization) previously authorized charges for our services.

According to our records, we mailed you a promotional Instant Cash Rebate Sign Up Check. When the check was deposited, we began to bill you. If, however, your company or organization did not knowingly authorize these charges, you may be eligible for a \$25.00 refund. If you would like to submit a refund request, please complete the Refund Application and Declaration. Submitting a Refund Application and Declaration will cancel your Yellow-Page.Net listing, and prevent future charges from appearing on your telephone bill.

We apologize for this notice, but want to ensure that you are one of our satisfied customers. If you have any questions about this notice or would like to discuss our many services, please call our Customer Service Center at 1-800-300-3209 or visit our Web site at www.YP.Net.

Thanks.

Yellow-Page.Net
4840 East Jasmine Street
Mesa, Arizona 85205

ATTACHMENT B

CUSTOMER REFUND APPLICATION AND DECLARATION

In order to obtain any refund for Yellow-Page.Net's services please complete the declaration below:

I, _____, hereby state and affirm as follows:
[Name]

1. My name is (please print). I hold the title of _____ at the company or organization of _____, which has been charged for Yellow-Page.Net services.
2. The charges to date total \$_____.
3. The charges date from _____ to _____.
4. The charges appeared on bills for phone number:()____-_____.
5. My company or organization has not been issued a refund from Yellow-Page.Net, or its telephone company.
6. My company or organization would like to terminate any relationship with Yellow-Page.Net, stop any future billing, and obtain a refund of \$25.00.
7. The individual at my company or organization who cashed the promotional Instant Cash Rebate - Sign Up Check from Yellow-Page.Net did not know that doing so signed the company up for Yellow-Page.Net's services or was unauthorized to act on behalf of my company or organization.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

_____ DATED this ___ day of _____, 2001.
[Signature]

Address: _____ Contact Phone No.: ()____-_____
 _____ Contact Fax No.: ()____-_____
 _____ Contact E-mail: _____

ATTACHMENT C

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA, PHOENIX DIVISION

 Federal Trade Commission,)
) CV- No. 00-1210 PHX SMM
)
 Plaintiff,)
) DECLARATION OF
) DEFENDANT
 v.)
)
)
 YP.Net, Inc., et al.,)
)
 Defendants.)
 _____)

I, _____, hereby state and affirm as follows:
[Name]

1. My name is _____, and I am a defendant in FTC v. YP.Net, Inc., et al., which has been filed in the District of Arizona.
2. On _____, I received a copy of the Order, which was signed by the Honorable _____ and entered by the Court on _____ 2001. A true and correct copy of the Order I received is appended to this Declaration.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Signature

SETTLEMENT AND RELEASE AGREEMENT

This Settlement And Release agreement ("Agreement") effective as of the ___ day of July, 2001, is made and entered into by and among American Registrar & Transfer Company, a Utah Corporation ("ARTCO"); YP.Net, Inc., a Nevada Corporation, formerly known as RIGL Corporation ("YPNT"); and Hudson Consulting Group, Inc., a Nevada corporation ("Hudson"). YPNT and Hudson may hereinafter collectively be referred to as "Defendants" and all entities, who execute this Agreement shall be referred to collectively as the "Parties."

RECITALS

- A. There is currently pending in the Third Judicial District Court For Salt Lake County, State of Utah ("Court") an action in Interpleader commenced by ARTCO, as Plaintiff, naming YPNT, Hudson and others as defendants, being Civil No. 000902312 ("Pending Action").
- B. The Parties desire to terminate the Pending Action pursuant to the terms and conditions of this Agreement without further incursion or expense and to settle all disputes existing between or among them alleged in the pleadings filed in the Pending Action.
- C. Certain other defendants named in the Pending Action, namely Bruce Pritchett ("Pritchett"), Montana Capital International, Inc. ("Montana") and Moore & Elrod, Inc. ("M&E") have failed to answer or otherwise file a response to the Complaint filed in the Pending Action. Montana & M&E have been duly served with the Complaint and may therefore be defaulted pursuant to Utah law. The Complaint against Pritchett may be dismissed, as he has not yet been served.
- D. The Parties have voluntarily submitted the mediation of their claims to Paul S. Felt, as Mediator in this matter, and met with the Mediator on July 16, 2001 in Salt Lake City, Utah, and agreed to settle all of their claims arising out of or in connection with the allegations of the Complaint; and this Agreement is the embodiment of their settlement verbally agreed upon and accepted by the Mediator.

In the context of these Recitals (which are hereby incorporated as part of this Agreement), and in consideration of the mutual promises of the parties and other valuable consideration, IT IS AGREED AS FOLLOWS:

1. STIPULATION TO DISMISS. Upon execution of this Agreement and the fulfillment of all Contingencies hereinafter enumerated, the Parties shall execute and file with the Court a Stipulation Of Dismissal With Prejudice of the Pending Action, substantially in the form attached hereto as Exhibit A, and shall lodge a proposed Order to that effect, substantially in the form attached hereto as Exhibit B.

2. SETTLEMENT OF CLAIMS.

- (a) In full and final settlement of all claims of Hudson against YPNT, arising out of or in connection with the Pending Action, YPNT agrees to pay Hudson the sum of Eighty-Five Thousand Dollars (\$85,000) in the manner set forth in Paragraph 3 below.
- (b) In full and final settlement of all claims of YPNT against Hudson, arising out of or in connection with the Pending Action, Hudson shall transfer to YPNT an aggregate of One Million, Four Hundred Twenty Five Thousand Three Hundred and Thirty Four (1,425,334) shares of YPNT Common Stock previously issued to Hudson by YPNT to wit:

CERTIFICATE NO.	NUMBER OF SHARES
2634	50,000.
2635	50,000.
2636	50,000.
2637	50,000.
2638	50,000.
2639	50,000.
2640	50,000.
2641	50,000.
2642	50,000.
2643	50,000.
2644	40,000.
2789	56,951.

2834	385,716.
2851	442,667.

TOTAL:	1,425,334 SHARES

3. PAYMENT.

- (a) Payment shall be made by Cashier's Check drawn on a State of Arizona or federally chartered bank in the sum of \$85,000 made payable to Hudson Consulting Group, Inc.
- (b) Payment by YPNT shall be made not later than ten (10) days following performance of all Contingencies enumerated in Paragraph 10 below.

4. HUDSON RELEASE. Hudson, on behalf of itself and on behalf of its past, present and future parent and subsidiary corporations, (if any), affiliates, stockholders, officers, directors, partners, joint ventures, employees, insurers, predecessors, successors, assigns, agents and representatives, does hereby release and forever discharge YPNT and ARTCO and its past, present, and future parent and subsidiary corporations, affiliates, stockholders, officers, directors, partners, joint ventures, employees, insurers, predecessors, successors, assigns, agents, representatives and attorneys from any and all claims, demands, obligations, losses, causes of action, damages, penalties, costs, expenses, attorneys' fees, liabilities, and indemnities of any nature whatsoever, known or unknown, asserted or as yet undiscovered or unasserted, that arise out of or relate to the issues and claims in the Pending Action. This paragraph does not apply to any rights, duties or obligations arising out of this Agreement.

5. YPNT RELEASE. YPNT, on behalf of itself and on behalf of its past, present and future parent and subsidiary corporations, (if any), affiliates, stockholders, officers, directors, partners, joint venturers, employees, insurers, predecessors, successors, assigns, agents and representatives, does hereby release and forever discharge Hudson and ARTCO and their past, present, and future parent and subsidiary corporations, (if any), affiliates, stockholders, officers, directors, partners, joint venturers, employees, insurers, predecessors, successors, assigns, agents, representatives and attorneys from any and all claims, demands, obligations, losses, causes of action, damages, penalties, costs, expenses, attorneys' fees, liabilities, and indemnities of any nature whatsoever, known or unknown, asserted or as yet undiscovered or unasserted, that arise out of or relate to the issues and claims in the Pending Action. This paragraph does not apply to any rights, duties or obligations arising out of this Agreement.

6. ARTCO RELEASE. ARTCO, on behalf of itself and on behalf of its past, present and future parent and subsidiary corporations, (if any), affiliates, stockholders, officers, directors, partners, joint venturers, employees, insurers, predecessors, successors, assigns, agents and representatives, does hereby release and forever discharge Hudson and YPNT and their past, present, and future parent and subsidiary corporations, (if any), affiliates, stockholders, officers, directors, partners, joint venturers, employees, insurers, predecessors, successors, assigns, agents, representatives and attorneys from any and all claims, demands, obligations, losses, causes of action, damages, penalties, costs, expenses, attorneys' fees, liabilities, and indemnities of any nature whatsoever, known or unknown, asserted or as yet undiscovered or unasserted, that arise out of or relate to the issues and claims in the Pending Action. This paragraph does not apply to any rights, duties or obligations arising out of this Agreement.

7. INDEMNIFICATION. YPNT and Hudson agree to indemnify and save harmless ARTCO against all costs, damages, attorney's fees, expenses and liabilities, which it may incur or sustain in connection with its performance as "Escrow Holder" under this Agreement or any court action arising therefrom and will pay same on demand.

8. ESCROW HOLDER DUTIES.

- (a) YPNT and Hudson agree that unless otherwise herein expressly provided, ARTCO shall not be held liable for any action taken or omitted under this Agreement, so long as it shall have acted in good faith and without negligence, and shall be deemed to be acting under this Agreement as an "Escrow Holder" only. ARTCO shall have no

responsibility to inquire into or determine the genuineness, authenticity or sufficiency of any documents or instruments submitted to it in connection with its duties hereunder. ARTCO shall be entitled to deem the signatories of any document or instrument submitted to it hereunder as being authorized to sign such documents or instruments on behalf of the party submitting such documents or instruments, and shall be entitled to rely upon the genuineness of signatures or such signatories without inquiry and without requiring substantiating evidence.

- (b) This Agreement may be altered or amended only with the consent of YPNT and Hudson and ARTCO.
- (c) In the event of any disagreement between YPNT and Hudson resulting in adverse claims and demands being made by them or any of them in connection with or for the shares involved in or affected by this Agreement, ARTCO shall refuse to comply with the demands of YPNT or Hudson so long as such disagreement shall continue.
- (d) In so refusing, ARTCO shall make no delivery or other disposition of the shares or funds involved in or collected pursuant to this Agreement, nor shall ARTCO become liable to YPNT or Hudson or either of them for the failure of ARTCO to comply with the conflicting or adverse demands of YPNT or Hudson, but may interplead the shares and funds in a court having jurisdiction.

9. COSTS AND EXPENSES.

- (a) YPNT and Hudson shall pay its own expenses, including court costs, legal and expert witness fees, incurred in the prosecution and defense of the Pending Action, and incurred in the negotiation, preparation and execution of this Agreement.
- (b) YPNT and Hudson shall each pay the Mediator one-half (50%) of any and all fees or costs assessed by the Mediator forthwith upon presentation of his Statement.

10. REPRESENTATIONS.

- (a) Except for the obligations of Hudson and YPNT arising out of and in connection with their respective obligations pursuant to this Agreement, there are no other outstanding contracts or agreements, verbal or written, between them in connection with any matter or thing, and more particularly relating to the business of YPNT, or the issuance of YPNT shares to any person or legal entity.
- (b) YPNT has at no time solicited Hudson to violate any provision of the Securities Act of 1933 or the Exchange Act of 1934, nor has Hudson sold, assigned or otherwise disposed of any of the shares represented by Certificates identified in Paragraph 2 above, in violation of either of said acts.
- (c) In the event that any third party shall bring an action against Hudson, to compel Hudson to transfer any of the shares represented by Certificates identified in Paragraph 2 above, and in the further event that any such third party shall join YPNT in such action or shall bring an independent action against YPNT, based upon the same claims set forth in the Pending Action, then Hudson agrees to indemnify YPNT against all damages recovered by way of judgment against YPNT directly resulting from the acts or omissions of Hudson, including YPNT's reasonable court costs and attorney fees, unless the claims of such third party directly result from any act or omission of YPNT.

11. CONTINGENCIES. Upon execution of this Agreement by all Parties, each of the Parties shall be required to perform in accordance with the requirements of this Paragraph 11 ("Contingencies") as follows:

- (a) YPNT shall deliver an \$85,000 cashier's check to ARTCO, made payable to Hudson, for delivery by ARTCO to Hudson or its attorneys, within ten (10) days after completion of each and all of the following events:

- (1) Hudson shall forthwith deliver to ARTCO, in good form, each and all of the YPNT Common Stock Certificates identified in paragraph 2(b) above, all Certificates to be duly endorsed by Hudson with signature guaranteed by a member of a national exchange, none of which shares or Certificates shall be subject to Hudson's prior transfer orders, and

none of which shall be subject to claims of any third parties other than those of YPNT.

(2) Forthwith upon execution of this Agreement, ARTCO, shall cause the Pending Action to be dismissed as against Pritchett, and shall further cause its legal counsel to petition the Court in the Pending Action, to pursue securing default judgments (with prejudice) against Montana and M&E, and shall further secure such Orders signed by the Judge as may be appropriate to give effect to the foregoing; or in the alternative, Hudson shall secure formal written releases of all claims against Hudson, YPNT and ARTCO signed by Montana and M&E in form satisfactory to YPNT's legal counsel; and shall further cause all interpleaded YPNT shares to be redelivered to ARTCO by Court Order; and Hudson's attorney shall provide YPNT and ARTCO with copies of all documents filed with the Court.

(3) Forthwith upon execution of this Agreement, Hudson shall tender to ARTCO, subject to the terms and conditions of this Agreement, each and all YPNT Common Stock Certificates identified above in paragraph 2(b) as have not as yet been delivered to ARTCO for transfer, in the aggregate 1,425,334 shares of YPNT standing in its name, including shares interpleaded with the Court.

12. NON-PERFORMANCE. In the event that:

- (a) YPNT shall fail or refuse to deliver to ARTCO the cashier's check in the sum of \$85,000 identified above; and/or,
- (b) Hudson shall fail or refuse to deliver to ARTCO, in good form, all Certificates aggregating 1,425,334 shares of YPNT Common Stock identified above; and/or,
- (c) ARTCO shall be unsuccessful in obtaining default judgments with prejudice against Montana and M&E, or in the alternative, Hudson shall be unsuccessful in obtaining written releases from Montana and M&E against Hudson, YPNT and ARTCO in form satisfactory to YPNT's legal counsel, and
- (d) if the dismissal of the Pending Action against Pritchett is not secured, then, and in that event: (I) ARTCO shall redeliver to Hudson all additional YPNT Certificates delivered to ARTCO under this Agreement (but not those Certificates previously delivered to ARTCO and interpleaded with the Court); (II) ARTCO shall redeliver to YPNT the \$85,000 cashier's check received by ARTCO; (III) the Pending Action shall not be dismissed; and, (IV) the Parties may proceed under the law in any manner they deem appropriate including, without limitation, the bringing of one or more separate actions to enforce the verbal agreement of the Parties reached before the Mediator evidenced by this Agreement.

13. ADVICE OF COUNSEL. Each Party acknowledges that it and its independent counsel have reviewed this Agreement and, accordingly, the normal rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

14. AUTHORIZATION. The Parties hereby warrant and represent that each of its respective corporate representative has full authority to sign and enter into this Agreement.

15. ATTORNEY'S FEES. In the event that any Party shall bring an action to enforce the terms and conditions of this Agreement, the prevailing party in that action shall receive reimbursement of all reasonable attorneys' fees and costs incurred in connection with such action.

16. UTAH LAW. This Agreement shall be construed in accordance with the laws of the State of Utah without regard to its choice of law principles.

17. VENUE. The Parties agree that any action to enforce or construe the terms and conditions of this Agreement shall be brought exclusively in a federal or state court located in Salt Lake County, Utah, and each Party hereby irrevocably consents to jurisdiction and venue in each such court.

18. BINDING EFFECT. The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their successors, assigns, heirs, indemnitors, executors and administrators.

19. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original.

20. PRIOR UNDERSTANDINGS AND AMENDMENT. This Agreement constitutes the entire agreement of the Parties and supersedes any and all prior oral and written agreements and understandings as to the subject matter hereof. The Parties have not relied upon any other representations, warranties, conditions, understandings or agreements except as specifically set forth in this Agreement, or implied by law, and this Agreement may not be amended or modified except by an agreement in writing signed by all Parties.

21. NOTICES. Any Notice to the Parties under this Agreement shall be in writing, and shall be deemed to have been received on the date when personally delivered, or on the date which is three days after mailing (postage prepaid) by certified mail, return receipt requested, to the address of such party set forth as follows, provided that if such date is a weekend or legal holiday (meaning a date when the courts are closed) then the third day shall be deemed to be the next succeeding day that is neither a weekend or a holiday;

To ARTCO:

Richard Day
American Registrar & Transfer Co.
342 East 900 South
Salt Lake City, UT 84111

With a copy to:

David R. King, Esq.
Kruse, Lada & Maycock, LLC
Post Office Box 45561
Salt Lake City, Utah 84145-0561

To YPNT:

Angelo Tullo, CEO
YP.Net.Inc.
4840 E. Jasmine Street, Suite 105
Mesa, Arizona 85205

With a copy to:

Burton M. Bentley, Esq.
Burton M. Bentley, PC
7878 N. 16th Street, Suite 110
Phoenix, Arizona 85020

To Hudson:

Richard D. Surber, President
Hudson Consulting Group, Inc.
268 West 400 South
Salt Lake City, Utah 84101

With a copy to:

Michael Golightly, Esq.
268 West 400 South, Suite 84101
Salt Lake City, Utah 84101

This Agreement is hereby entered into and deemed to have been signed, and is effective as of the date first above written.

YP.NET.INC.

HUDSON CONSULTING GROUP, INC.

By: /s/ Angelo Tullo, pres.

By: /s/ Richard Surber

Angelo Tullo, President

Richard Surber, President

AMERICAN REGISTRAR & TRANSFER COMPANY

By: /s/ Richard Day

Richard Day, President