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

FORM 10-QSB

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 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 incorporation or organization)	(IRS Employer 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 December 31, 2001 was 43,813,680 shares of common stock, par value $.001.

Transitional Small Business Disclosure Format (check one):

Yes _____ No __X__

<TABLE>
<CAPTION>

YP.NET, INC.
INDEX TO FORM 10-QSB FILING
FOR THE QUARTER ENDED DECEMBER 31, 2001

TABLE OF CONTENTS

PART I

PART II
OTHER INFORMATION

</TABLE>

<TABLE>
<CAPTION>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<S>	DECEMBER 31, 2001 (unaudited) <C>
CURRENT ASSETS:	
Cash and Cash Equivalents	$ 334,365
Accounts Receivable	2,917,804
Prepaid Expenses	80,934
Direct Response Marketing - Net	383,995
Deferred income taxes	310,958
TOTAL CURRENT ASSETS	4,028,056
PROPERTY AND EQUIPMENT:	
Furniture and Fixtures	197,261
Equipment & Computer Equipment	305,164
Leasehold Improvements	319,150
LESS: Accumulated Depreciation and Amortization	(457,768)
TOTAL PROPERTY AND EQUIPMENT	363,807
OTHER ASSETS:	
Intangible Assets	5,010,000
Deposits	23,287
Less Accumulated Amortization	(1,185,416)
Advances to Affiliate	242,422
TOTAL OTHER ASSETS	4,090,293
TOTAL ASSETS	8,482,156
CURRENT LIABILITIES:	
Trade Accounts Payable	35,188
Income Taxes Payable	1,514,056
Accrued Expenses	43,776
Short-Term Notes Payable - Note 1	338,361
TOTAL CURRENT LIABILITIES	1,931,381
LONG-TERM LIABILITIES:	
Long-Term Notes Payables - Note 2	516,941
Deferred income taxes	42,447
TOTAL LONG-TERM LIABILITIES	559,388
TOTAL LIABILITIES	2,490,769
Common Stock $.001 par value, 100,000,000 shares Authorized 43,813,680 issued and outstanding For December 31, 2001	43,814
Additional Paid In Capital	4,556,806
Treasury Stock	(184,922)
Retained Earnings	1,575,689
TOTAL STOCKHOLDERS' EQUITY	5,991,386
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,482,156

</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, 2001 AND DECEMBER 31, 2000

	THREE MONTHS ENDED DECEMBER 31, 2001	THREE MONTHS ENDED DECEMBER 31, 2000
	(unaudited)	
<S>	<C>	<C>
INCOME		
REVENUE	$ 2,992,993	$ 4,526,623
Cost of Services	1,184,277	2,886,352
Selling and Marketing	43,879	10,806
General and Administrative	865,801	567,896
Depreciation and Amortization	148,379	145,913
TOTAL EXPENSES	2,242,336	3,610,967
EARNINGS (LOSS) FROM OPERATIONS	750,657	915,656
OTHER INCOME (EXPENSE)		
Other Income	4,291	9,436
Other Expense/Interest Income/(Expense)	(28,414)	(168,685)
TOTAL OTHER INCOME (EXPENSE)	(24,123)	(159,249)
Net Income (Loss) Before Income Taxes	726,534	756,407
Provisions for Income Taxes	420,185	-0-
NET INCOME (LOSS)	$ 306,349	$ 756,407
EARNINGS (LOSS) PER SHARE:		
Basic Earnings (Loss) Per Share	$ 0.01	$ 0.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	43,813,680	40,643,742
Diluted Earnings (Loss) Per Share	$ 0.01	$ 0.02
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON SHARE EQUIVALENTS OUTSTANDING	43,813,680	40,643,742

</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, 2001 AND DECEMBER 31, 2000

	THREE MONTHS ENDED DECEMBER 31, 2001	THREE MONTHS ENDED DECEMBER 31, 2000
	(unaudited)	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 306,349	$ 756,407
Adjustments to reconcile net income to net cash used by operating activities.		
Depreciation and amortization	40,879	32,163
Officers paid with common stock	-0-	59,700

Common stock surrendered	-0-	(110,000)
Amortization of intellectual property	107,500	113,750
Income taxes payable	420,185	
(Increase) decrease in assets		
Trade accounts receivable	(47,694)	(252,887)
Customer acquisition costs	(190,750)	138,846
Prepaid and other current assets	(126,107)	(184,653)
Other assets	(60,765)	-0-
Increase (decrease) in liabilities		
Trade accounts payable	34,982	507,786
Accrued liabilities	(32,480)	(189,466)
NET CASH PROVIDED IN OPERATING ACTIVITIES	452,099	871,646
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(29,800)	-0-
NET CASH USED BY INVESTING ACTIVITIES	(29,800)	-0-
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of Treasury Stock	(13,480)	
Principal repayments on notes payable	(758,301)	(821,928)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(771,781)	(821,928)
NET INCREASE (DECREASE) IN CASH	(349,482)	49,718
CASH AT BEGINNING OF PERIOD	683,847	219,613
CASH AT END OF PERIOD	$ 334,365	$ 269,331
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	28,414	29,973

</TABLE>

See the accompanying notes to these unaudited financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE ENDED DECEMBER 31, 2001 AND DECEMBER 31, 2001

1. Basis of Presentation

The accompanying unaudited financial statements represent the consolidated financial position of YP.Net, Inc. ("the Company") for the three months ended December 31, 2001 and 2000 and includes results of operations of the Company and Telco Billing, Inc. ("Telco"), its wholly owned subsidiary, and statement of cash flows for the three months ended December 31, 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 months period ended December 31, 2001 and 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, Form 10-KSB/A for the year ended September 30, 2000, and Form 10-KSB for year ended September 30, 2001 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.

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 issued and outstanding 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.

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 December 31, 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 December 31, 2001 this note payable had an outstanding balance of $338,361.44. Mr. Van Sickle is a shareholder of the Company and 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 December 31, 2001 the M&M note payable has been paid down with an immaterial balance remaining. M&M owns approximately 23% of the Company's outstanding stock.

The former holder of the Yellow-page. net. URL made a claim against the Company in the year ended September 30, 2001. The former URL holder claimed that it was owed $1,000,000 that represented a loan extension fee for an extension given in 1999. The Company disputed the claim but ultimately settled with the former URL holder. The settlement agreement required the Company to pay the former URL holder $550,000, together with 4,000,000 shares of the Company's common stock and warrants for and additional 500,000 shares of the Company's common stock. The value of the common stock was determined on the basis of the quoted trading price of the shares on the date of this settlement agreement.

6. Common Stock

Transactions in the Company's common stock issued for the acquisition of assets, products, or services are accounted for at of fair value. Fair value is determined based on the bid and ask price at the date of the transactions of the Company's common stock, 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.

8. Advances to Affiliates

The Company has provided for advances to affiliates. The advances represent notes to officers as part of the compensation package of both officers. The board of directors has agreed to advance funds to the officers and have agreed to bonus out those advances to the officers based on performance of the CEO and based on the required compliance commitments of the CFO. The advances are being reserved and amortized over a 12-month period, as management believes that those advances will become compensation to the officers for accomplishing the company goals and compliance commitments.

The former holder of the Yellow-page. net. URL made a claim against the Company in the year ended September 30, 2001. The former URL holder claimed that it was owed $1,000,000 that represented a loan extension fee for an extension given in 1999. The Company disputed the claim but ultimately settled with the former URL holder. The settlement agreement required the Company to pay the former URL holder $550,000, together with 4,000,000 shares of the Company's common stock and warrants for and additional 500,000 shares of the Company's common stock. The value of the common stock was determined on the basis of the quoted trading price of the shares on the date of this settlement agreement.

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 utilize direct mailings as our primary marketing program and this program generates our principal revenue of the Company. Our subscribing customers increased to 114,409 at December 31, 1999, 129,457 at March 31, 2000, 143,292 at June 30, 2000 and 130,592 at September 30, 2000, a 21% increase for the fiscal year. Our subscribing customers decreased to 123,408 at December 31, 2000, 103,187 at March 31, 2001, 99,862 at June 30, 2001 and 91,348 at September 30, 2001.

As of December 31, 2001 we had 88,799 subscribing customers. The decrease in our customer base is by design. We have implemented filter systems to increase collections and also verify our subscription customer that are billed by a direct invoice and not through LEC. We have filtered out or direct billed customers to increase collectability and increase cash flow. We increase collectability on our existing customers and have increase customer satisfaction.

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 syndicated 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 utilitize 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 expend our customer base.

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

Internet yellow page services business is currently our sole source of revenue. Revenue for the three months period ended December 31, 2001 was $2,992,993 compared to $4,526,623 for the three months period ended December 31, 2000. Our revenue decreased primarily due to changes in our revenue recognition procedures as recommended by our auditors, Epstein, Weber & Conover, P.L.C. formerly Weber & Company, PC, resulting from the application of Staff Accounting Bulletin #101 ("SAB 101") to our subscription revenue.

SAB 101 was promulgated by the SEC. Under SAB 101, revenue generally is realized or realizable and earned when all of the following criteria are met:

1. Pervasive evidence of an arrangement exits
2. Delivery has occurred or services have been rendered
3. The seller's price to the buyer is fixed or determinable AND
4. Collectibility is reasonably assured.

The collectability of subscription revenue, in the past, has been between 9% - 15% and we have recorded an allowance for bad debt for any revenue that is uncollectible. At the recommendation of our auditors, we have applied SAB 101 to reduce our gross revenue by $1,000,000.

Presently, our operations department has reevaluated and re-filtered our subscription customers and we have experienced increases in cash collected from the invoice billings. We hope for, and are working to achieve, a higher collection of subscription revenue receivable since new procedures and processes have been implemented in operations.

Cost of services for the three months period ended December 31, 2001, was $1,184,277 compared to $2,886,352 for the three months period ended December 31,

2000. Cost of services 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 has decreased as we implemented new filtering processes to correct and enhance the billing process to increase our collections.

Selling expenses, primarily the costs associated with general advertising and market testing of other revenue sources, were for the three month period ended December 31, 2001, was $43,879 compared to $10,806 for the three month period ended December 31, 2000. The increase in marketing is due to the increase in pursuing investment bank firms and markets to enhance the stock for our shareholders.

General and administrative expense for the three months period ended December 31, 2001, was $865,801 compared to $567,896 for the three months period ended December 31, 2000. These costs are primarily related to customer service staffing, which we believe provides better service to our customers. A primary reason for the increase is the final legal fees related to the compliance with the FTC settlement agreement. Management believes that our legal fees will decrease significantly in the future.

The cost of the Yellow-Page.Net URL was capitalized at $5,000,000. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was $148, 379 for the three months period ended December 31, 2001, compared to $145,913 for three month period ended December 31, 2000. Annual amortization expense in future years related to the URL is anticipated to be approximately $300,000.

Interest expense for the three months period ended December 31, 2001, was $28,414 compared to $168,685 for three months period ended December 31, 2000. The decrease in interest expense was a result of decreased debt from our acquisition of Telco and our acquisition of the URL Yellow-Page.Net. The reduction in interest expense is also related to the payoff of Finovia Financial Credit Facility in June 2001 and the reduction of certain debt owed to Joseph Van Sickle.

Net income before taxes for the three months period ended December 31, 2001 was $726,534 and net income for the three months period ended December 31, 2001 was $306,349 or $.01 per diluted share. Net income before taxes for the three months period ended December 31, 2000 was $756,407 and net income for the three months period ended December 31, 2001 was $756,407 or $.02 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities for the three months period ended December 31, 2001, was $452,099 compared to $871,646 for the three months period ended December 31, 2000. Revenue was generated solely from providing electronic yellow page preferred listing advertising. Cash from operating activities for the three month period ended December 31, 2001, was enhanced by an increase in our accounts receivable ($47,694), in prepaid assets ($126,107) and trade accounts payables of $34,982 and by decreases in accrued liabilities of $32,480. Cash in the three month period ended December 31, 2000, was generated by increases in our accounts receivables ($252,887), in prepaid assets ($184,653), in accounts payable ($507,786) and by decreases in accrued liabilities $189,466. The Company has sufficient liquidity for the remaining quarters with our year ending September 30, 2002.

Cash used by investing activities was $29,800 for the three months period ended December 31, 2001.

Cash used by financing activities was $771,781 for three months period ended December 31, 2001 compared to $821,928 for the three months period ended December 31, 2000. The cash that was used represents total payments made to reduce the principle balances of our outstanding notes.

OTHER CONSIDERATIONS

There are numerous factors that affect our business and the results of our 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 our 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 and Form 10-KSB/A which is incorporated by reference in this Form 10-QSB.

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 for the year ended September 30, 2001, may be accessed at the SEC's Web site, www.sec.gov.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are party to ordinary routine litigation in the course of our operations. We have also been subject to certain state and federal regulatory proceedings. We recently settled a complaint filed against us by the Federal Trade Commission. We have also recently entered into a settlement agreement with Hudson Consulting Group, Inc., in connection with services not rendered to us. See our Form 10-KSB for the year ended September 30, 2001, for a description of these matters.

We were not named a defendant in any material legal proceedings and claims during the three months period ended December 31, 2001.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the three months ended December 31, 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: February 14, 2002   by /s/ Angelo Tullo

Chairman, President, Chief Executive Officer

Dated: February 14, 2002 by /s/ Pamela J Thompson

Chief Financial Officer, Secretary, Treasurer