

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

AMENDMENT NO. 1
TO
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 March 31, 2003

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
(State or other jurisdiction of
incorporation or organization)

85-0206668
(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 May 6,
2003 was 42,680,722 shares of common stock, par value \$.001.

Transitional Small Business Disclosure Format (check one):

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

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YP.NET, INC.
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FOR THE QUARTER ENDED MARCH 31, 2003

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 PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED BALANCE SHEET
 AS OF MARCH 31, 2003

<S>		<C>
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	\$ 839,062	
Accounts receivable, net of allowance for doubtful accounts of \$2,531,937	5,663,712	
Prepaid expenses and other current assets	267,544	

Total current assets	6,770,318	
ACCOUNTS RECEIVABLE, long term portion, net of allowance for doubtful accounts of \$259,423	605,307	
CUSTOMER ACQUISITION COSTS, net of accumulated amortization of \$1,124,052	2,636,887	
PROPERTY AND EQUIPMENT, net	632,207	
DEPOSITS AND OTHER ASSETS	98,631	
INTELLECTUAL PROPERTY- URL, net of accumulated amortization of \$1,667,586	3,398,864	
ADVANCES TO AFFILIATES	743,194	

TOTAL ASSETS	\$14,885,408	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	\$ 344,080	
Accrued liabilities	78,184	
Due to Affiliates	14,017	
Deferred income taxes	238,932	
Income taxes payable	2,059,516	

Total current liabilities	2,734,729	
NOTES PAYABLE - long term portion	115,868	
DEFERRED INCOME TAXES	9,383	

Total liabilities	2,859,980	-----
STOCKHOLDERS' EQUITY:		
Series E convertible preferred stock, \$.001 par value, 200,000 shares authorized, 131,840 issued and outstanding, liquidation preference \$39,552	132	
Common stock, \$.001 par value, 50,000,000 shares authorized, 48,999,340 issued	48,999	
Paid in capital	4,745,981	
Treasury stock at cost	(331,818)	
Retained earnings	7,562,134	

Total stockholders' equity	12,025,428	-----

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$14,885,408	=====

</TABLE>

See the accompanying notes to these unaudited financial statements

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	Three Months Ended March 31, 2003	Six Months Ended March 31, 2003	Three Months Ended March 31 2002	Six Months Ended March 31, 2002
<S>	<C>	<C>	<C>	<C>
NET REVENUES	\$ 6,849,044	\$ 12,590,499	\$ 2,839,438	\$ 5,832,839
OPERATING EXPENSES:				
Cost of services	1,848,966	3,671,116	733,402	1,917,679
General and administrative expenses	1,666,108	3,042,186	1,030,889	1,888,671
Sales and marketing expenses	862,939	1,495,374	85,454	139,333
Depreciation and amortization	159,306	298,238	151,721	300,100
Total operating expenses	4,537,319	8,506,914	2,001,466	4,245,783
OPERATING INCOME	2,311,725	4,083,585	837,973	1,587,055
OTHER (INCOME) AND EXPENSES				
Interest (income) expense	(12,069)	(12,789)	-	(5,570)
Other (income) expense	(180,980)	(229,886)	9,584	36,994
Total other (income) expense	(193,049)	(242,675)	9,584	31,424
INCOME BEFORE INCOME TAXES	2,504,774	4,326,260	828,390	1,555,631
INCOME TAX PROVISION (BENEFIT)	999,853	1,728,447	208,102	628,287
NET INCOME	\$ 1,504,921	\$ 2,597,813	\$ 620,288	\$ 927,344
NET INCOME PER SHARE:				
Basic	\$ 0.03	\$ 0.06	\$ 0.01	\$ 0.02
Diluted	\$ 0.03	\$ 0.06	\$ 0.01	\$ 0.02
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	43,271,333	42,011,711	43,813,680	43,813,680
Diluted	43,271,333	42,011,711	43,813,680	43,813,680

</TABLE>

See the accompanying notes to these unaudited financial statements

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YP.NET, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED MARCH 31, 2003 AND MARCH 31, 2002

	SIX MONTHS ENDED MARCH 31, 2003	SIX MONTHS ENDED MARCH 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net income	\$ 2,597,813	\$ 927,344
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	298,239	300,099
Income recognized on forgiveness of debt	(45,362)	-
Deferred income taxes	155,175	(226,573)
Officers & consultants paid common stock	453,750	-
Common stock surrendered	(160,979)	-
Changes in assets and liabilities:		
Trade and other accounts receivable	(2,283,431)	(346,037)
Customer acquisition costs	(1,218,660)	(646,428)
Prepaid and other current assets	(113,628)	(153,272)
Other assets	52,096	-
Receivable from affiliate	(110,121)	-
Accounts payable	148,684	242,277
Accrued liabilities	(105,603)	(36,454)
Due to affiliates	14,017	-
Income taxes payable	1,573,273	854,860
Deferred revenue	-	-
Net cash provided by operating activities	1,255,263	915,816

CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances made to affiliates and related parties	(400,000)	(62,857)
Acquisition Costs WPI	-	(60,492)
Purchases of intellectual property	(6,761)	(14,078)
Purchases of equipment	(469,548)	(69,459)
	-----	-----
Net cash (used in) investing activities	(876,309)	(206,886)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	147,000	-
Principal repayments on notes payable	(454,000)	(1,051,743)
	-----	-----
Net cash (used)/provided by financing activities	(307,000)	(1,051,743)
	-----	-----
INCREASE IN CASH	71,954	(342,813)
CASH, BEGINNING OF PERIOD	767,108	683,847
	-----	-----
CASH, END OF PERIOD	\$ 839,062	\$ 341,034
	=====	=====

</TABLE>

See the accompanying notes to these unaudited financial statements

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	Six month period ended March 31, 2003	Six month period ended March 31, 2002
	-----	-----
<S>	<C>	<C>
Interest Paid	\$ 9,545	\$ 61,414

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED MARCH 31, 2003 AND MARCH 31, 2002

1. Basis of Presentation

The accompanying unaudited financial statements represent the consolidated financial position of YP.Net, Inc. ("the Company") for the three and six month periods ended March 31, 2003, and March 31, 2002, which includes results of operations of the Company and Telco Billing, Inc. ("Telco"), its wholly owned subsidiary, and statement of cash flows for the six month periods ended March 31, 2003 and March 31, 2002. These statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information. 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.

2. Company Organization and Operations

YP.Net, Inc., a Nevada corporation (the "Company," "we," "us," or "our"), is in the business of providing Internet-based yellow page advertising space on or through www.Yellow-Page.Net and www.YP.Net .

The Company's "yellow page" database lists approximately 18 million businesses throughout the United States. Our website enables internet users to search through these "yellow page" listings and is used by businesses and consumers attempting to locate a business and/or service provider in response to a user's specific search criteria.

As our primary source of revenue, we offer "preferred" listings to businesses for a monthly fee (generally \$17.95). The "preferred" listing provides a business with a priority placement listing over non-paying listings and is displayed in a bigger and bolder font at the beginning of, or in the first section of the user's search results - thus featuring our paying customers more prominently to user's of our website. In addition, our paying customers get a Mini-Webpage(TM) which includes a 40-word description of their business, their hours of operation and other useful information, a direct link to the paying customers website, (if they have one and it is provided by the advertiser), map, driving directions to the paying customers location and more. We market for advertisers of our "preferred" listing service, under the name "Yellow-Page.Net, exclusively to businesses through a direct mail solicitation program. The solicitation includes a promotional incentive (ie. generally a \$3.50 check) which, if cashed by the business, automatically signs the business up for the Preferred Listing service for an initial twelve month period with automatic renewals thereafter. This easy subscription process provides a written

confirmation (ie. the check) of the subscription by the newly subscribing business, which is verified by an independent third party (i.e the paying customers depositing bank). To additionally insure the intention of sign-up, the Company then mails a written confirmation card to the newly subscribing business generally within 30 days from activation. The Company also provides a 120-day cancellation period whereby the subscribing business may cancel and receive a full refund of any amounts paid to the Company.

Each paying customer is billed monthly for that month's service, the vast

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majority of such monthly billings appear on the subscribing business's local phone bill. Management believes this ability to bill the paying customer through the paying customers phone bill is a significant competitive advantage for the Company as few independent (not owned by a telephone company) yellow page companies are authorized to bill directly on the phone bill for services rendered.

The Company uses Simple.Net, Inc. ("SN"), an internet service provider beneficially owned by a Director (Deval Johnson) of the Company, to provide internet dial-up and other services to its customers (See Footnote 9 to the financial statements). SN charges the Company's customers \$2.50 per month for such internet access.

We were originally incorporated as a New Mexico company in 1969 and the Company was re-incorporated in Nevada in 1996 as Renaissance Center, Inc. Our Articles of Incorporation were restated in July 1997 and our name was changed to Renaissance International Group, Ltd. Effective July 1998, we changed our name to RIGL Corporation. In June 1999, we acquired Telco Billing, Inc. ("Telco") and commenced our current operations through this entity which is a wholly-owned subsidiary. In October 1999, we amended our Articles of Incorporation to change our corporate name to YP.Net, Inc. to better identify our company with our business focus.

From August through March 1999, we abandoned all subsidiaries previously involved in the multi-media software and medical billing and practice management areas. With the acquisition of Telco, our business focus shifted to the Internet yellow page services business and this business is currently our main source of revenue. Telco is operated as our wholly owned subsidiary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: This includes all short-term highly liquid

investments that are readily convertible to known amounts of cash and have original maturities of three months or less. At times cash deposits may exceed government insured limits. At March 31, 2003, cash deposits exceeded those insured limits by \$ 634,000

Principles of Consolidation: The consolidated financial statements include

the accounts of the Company and its wholly owned subsidiary, Telco Billing, Inc. All significant intercompany accounts and transactions are eliminated.

Customer Acquisition Costs: These costs represent the direct response

marketing costs that are incurred as the primary method by which customers subscribe to the Company's services. The Company purchases mailing lists and sends advertising materials to prospective subscribers from those lists. Customers subscribe to the services by positively responding to those advertising materials which serve as the contract for the subscription. The Company capitalizes and amortizes the costs of direct-response advertising on a straight-line basis over eighteen months, the estimated average period of retention for new customers. The Company capitalized costs of \$1,358,902 and \$2,342,712 during the three and six months ended March 31, 2003 respectively. The Company amortized \$640,996 and \$1,124,049, respectively, of total capitalized costs during the three and six months ended March 31, 2003.

The Company also incurs advertising costs that are not considered direct-response advertising. These other advertising costs are expensed when incurred. These advertising expenses were \$221,941 and \$377,322 for the three and six months ended March 31, 2003, respectively.

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Revenue Recognition: The Company's revenue is generated by customer

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

to year-end for initial billings related to services provided for periods within the fiscal year. Refunds are estimated based upon historical experience and are recorded as a reduction in revenue .

Revenue for billings to certain customers whom are billed directly by the Company and not through the LEC's, is recognized based on estimated future collections. The Company continuously reviews this estimate for reasonableness based on its collection experience.

Income Taxes: The Company provides for income taxes based on the provisions

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

Financial Instruments: Financial instruments consist primarily of cash,

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

Net Income Per Share: Net income per share is calculated using the weighted

average number of shares of common stock outstanding during the year. The Company has adopted the provisions of SFAS No. 128, Earnings Per Share.

Use of Estimates: The preparation of financial statements in conformity

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

Significant estimates made in connection with the accompanying financial statements include the estimate of dilution and fees associated with LEC billings and the estimated reserve for doubtful accounts receivable.

Stock-Based Compensation: Statements of Financial Accounting Standards No.

123, Accounting for Stock-Based Compensation, ("SFAS 123") established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation. In accordance with SFAS 123, the Company has elected to continue accounting for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

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4. ACCOUNTS RECEIVABLE

The Company provides billing information to third party billing companies for the majority of its monthly billings. Billings submitted are "filtered" (ie. Delete invalid phone numbers etc.) by these billing companies and the LEC's. Net accepted billings are recognized as revenue and accounts receivable. The billing companies remit payments to the Company on the basis of cash ultimately received from the LEC's by those billing companies. The billing companies and LEC's charge fees for their services which are netted against the gross accounts receivable balance. The billing companies also apply holdbacks to the remittances for potentially uncollectible accounts. These dilution amounts will vary due to numerous factors and the Company may not be certain as to the actual amounts of dilution on any specific billing submittal until several months after that submittal. The Company estimates the amount of these charges and holdbacks based on historical experience and subsequent information received from the billing companies. The Company also estimates uncollectible account balances and provides an allowance for such estimates. The billing companies retain certain holdbacks that may not be collected by the Company for a period extending beyond one year. These balances have been classified as long-term assets in the accompanying balance sheet.

The Company experiences significant dilution of its gross billings by the billing companies. The Company negotiates collections with the billing companies on the basis of the contracted terms and historical experience. The Company's cash flow may be affected by holdbacks, fees, and other matters which are determined by the LEC's and the billing companies as well as by refunds to customers.

5. INTELLECTUAL PROPERTY

The URL is recorded at its cost net of accumulated amortization. Management believes that the Company's business is dependent on its ability to utilize

this URL given the recognition of the Yellow page term. Also, its current

customer base relies on the recognition of this term and URL as a basis for
maintaining the subscriptions to the Company's service. Management believes
that the current revenue and cash flow generated through use of
Yellow-page.net supports the carrying of the asset. The Company

periodically analyzes the carrying value of this asset to determine if
impairment has occurred. No such impairments were identified during the
year ended September 30, 2002 or the three months ended March 31, 2003. The
URL is amortized on an accelerated basis over the twenty-year term of the
licensing agreement. Amortization expense on the URL was \$93,032 and
\$186,440 for the three and six months ended March 31, 2003, respectively.

6. PROVISION FOR INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences
between the carrying amounts of assets and liabilities for financial
reporting purposes and the amounts used for income tax purposes.

During the year ended September 30, 2002, the Company structured certain
transactions related to its merger with Telco that allowed the Company to
utilize net operating losses that were previously believed to be
unavailable or limited under the change of control rules of Internal
Revenue Code 382. The deferred income tax asset of \$1,471,000 related to
these net operating losses recorded at September 30, 2001, was fully offset
by a valuation allowance. That valuation allowance was eliminated and
recognized as a benefit in the year ended September 30, 2002. Due to these
changes, the Company

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recognized an income tax benefit of \$1,614,716 for the year ended September
30, 2002. At September 30, 2002 the Company has utilized all of its federal
and state net operating losses.

Income taxes for three and six months ended March 31, is summarized as
follows:

<TABLE>
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	Three Months Ended March, 31	Six Months Ended March 31,
	2003	2003
<S>	<C>	<C>
Current Provision	\$ 888,889	\$ 1,576,233
Deferred (Benefit) Provision	110,964	152,214
	-----	-----
Net income tax provision	\$ 999,853	\$ 1,728,447
	=====	=====

</TABLE>

At March 31, 2003, deferred income tax assets related to differences in
book and tax bases of accounts receivable, direct marketing costs and
intangible assets.

At March 31, 2003 deferred tax liabilities were comprised of differences in
book and tax bases of customer acquisition costs and property and equipment
respectively.

7. STOCKHOLDERS' EQUITY

Series E Convertible Preferred Stock

During the year ended September 30, 2002, the Company created a new series
of equity, the Series E Convertible Preferred Stock. The Company authorized
200,000, \$0.001 par value shares. The shares carry a \$0.30 per share
liquidation preference and accrue dividends at the rate of 5% per annum on
the liquidation preference per share, payable quarterly from legally
available funds. If such funds are not available, dividends shall continue
to accumulate until they can be paid from legally available funds. Holders
of the preferred shares shall be entitled, after two years from issuance,
to convert them into common shares on a one-to-one basis together with
payment of \$0.45 per converted share.

During the year ended September 30, 2002, pursuant to an existing tender
offer, holders of 131,840 shares of the Company's common stock exchanged
said shares for an equal number of the Series E Convertible Preferred
shares, at the then \$0.085 market value of the common stock. As of March
31, 2003, the liquidation preference value of the outstanding Series E
Convertible Preferred Stock was \$39,552, and dividends totaling \$1,483 had
been accrued associated with said shares.

Treasury Stock

During the three months ended March 31, 2003, the Company reacquired 500,000 shares of its common stock in connection with a settlement with an attorney formerly on retainer to the Company. The Company had issued these shares to the attorney as consideration for services. The portion of the settlement which includes the return of the shares is recorded at the market value of the shares at the

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settlement date. The Company recognized an expense on this settlement of approximately \$90,000. At March 31, 2003, there were 6,318,618 shares of stock held in treasury.

8. NET INCOME PER SHARE

Net income per share is calculated using the weighted average number of shares of common stock outstanding during the three and six months ended March 31, 2003, respectively. Preferred stock dividends are subtracted from the net income to determine the amount available to common shareholders. There were \$494 and \$989 preferred stock dividends in the three and six months ended March 31, 2003, respectively. Warrants to purchase 500,000 shares of common stock were excluded from the calculation for the three months ended March 31, 2003. The exercise price of those warrants was greater than the trading value of the common stock and therefore inclusion of such would be anti-dilutive. Also excluded from the calculation were 131,840 shares of Series E Convertible Preferred Stock issued during the year ended September 30, 2002, which are considered anti-dilutive due to the cash payment required by the holders of the securities at the time of conversion. The following presents the computation of basic and diluted loss per share from continuing operations for the three and six months ended March 31, :

<TABLE>

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	2003			2003		
	Three Months Ended March 31, 2003		Per Share	Six Months Ended March 31, 2003		Per share
	Income	Shares	Share	Income	Shares	share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income	\$1,504,921			\$2,597,813		
Preferred stock dividends	(494)			(989)		
Income available to common Stockholders	\$1,504,427			\$2,596,824		
BASIC EARNINGS PER SHARE:						
Income available to common stockholders	\$1,504,427	43,271,333	\$ 0.03	\$2,596,824	42,011,711	\$ 0.06
Effect of dilutive securities						
DILUTED EARNINGS PER SHARE	\$1,504,427	43,271,333	\$ 0.03	\$2,596,824	42,011,711	\$ 0.06

</TABLE>

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9. RELATED PARTY TRANSACTIONS

During the three and six months ended March 31, 2003, the Company conducted transactions with entities affiliated with the Company because of commonality in members in management or direct or indirect control of the affiliate by a member or members of the Company's management. The following summarizes those transactions:

<TABLE>

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Entity	Three Months Ended March 31, 2003 Amount	Six Months Ended March 31, 2003 Amount
<S>	<C>	<C>
Simple.Net, Inc. ("SN")	\$ 80,523	136,626

Commercial Finance Services d/b/a/ HR Management ("CFS")	162,579	528,630
Business Executive Services, Inc.	62,242	110,242
Advertising Management Specialists, Inc.	209,837	306,235
Advanced Internet Marketing	71,901	162,331
DLC Consulting	30,000	60,000
Sunbelt	232,520	604,851
	-----	-----
	\$ 849,602	\$1,908,915
	=====	=====

</TABLE>

These entities provide consulting, employee leasing and marketing services to the Company. The above amounts represent payments made to these entities during the period. CFS sold the payroll processing portion of its business during the quarter ended March 31, 2003 and the Company no longer does its payroll processing business with CFS.

In addition to these transactions, the Company also provides customer and technical support to Simple.net for a fee. These fees are included in other income and amounted to \$276,155 for the six months ended March 31, 2003.

During the six months ended March 31, 2003, the Company advanced \$400,000 to entities (\$200,000 to Mathew & Markson and \$200,000 to Morris & Miller) that are significant shareholders of the Company. In accordance with the instructions that the Company received from said shareholders, the Company has made payments (\$100,000 in the first quarter of Fiscal 2003) to third parties (including related parties) on behalf of the stockholders and applied those payments as a reduction to the note payable. The balance due from each of these entities was \$447,415 from Mathew & Markson and \$206,074 from Morris & Miller at March 31, 2003.

During the three month period ended March 31, 2003, the Company's board of directors resolved to pay for the costs of defending a civil action filed against its CEO and Chairman. The action involves a business that the CEO was formerly involved in. The Board action includes any other officers and directors that may potentially become involved in this civil action. Through March 31, 2003, the Company has paid approximately \$151,000 on behalf of its CEO relative to this matter. This civil action remains unresolved. At this time, the Company cannot estimate what additional costs may be incurred to continue covering the costs related to this matter.

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

This Quarterly Report contains certain forward-looking statements, including those regarding the Company and its subsidiaries' expectations, intentions, strategies and beliefs pertaining to future performance. All statements contained herein are based upon information available to the Company's management as of the date hereof, and actual results may vary based upon future events, both within and without management's control.

YP.Net, Inc., a Nevada corporation (the "Company," "we," "us," or "our"), is in the business of providing Internet-based yellow page advertising space on or through www.Yellow-Page.Net and www.YP.Net.

The Company's "yellow page" database lists approximately 18 million businesses throughout the United States. Our website enables internet users to search through these "yellow page" listings and is used by businesses and consumers attempting to locate a business and/or service provider in response to a user's specific search criteria.

As our primary source of revenue, we offer "preferred" listings to businesses for a monthly fee (generally \$17.95). The "preferred" listing provides a business with a priority placement listing over non-paying listings and is displayed in a bigger and bolder font at the beginning of, or in the first section of the user's search results - thus featuring our paying customers more prominently to user's of our website. In addition, our paying customers get a Mini-Webpage(TM) which includes a 40-word description of their business, their hours of operation and other useful information, a direct link to the paying customers website, (if they have one and it is provided by the advertiser), map, driving directions to the paying customers location and more. As of March 31, 2003 we have approximately 279,071 "preferred" listing advertisers who have subscribed for this enhanced advertising service. This represents less than 2% of the estimated available market for preferred listings. We market for advertisers of our "preferred" listing service, under the name "Yellow-Page.Net", exclusively to businesses through a direct mail solicitation program. The solicitation includes a promotional incentive (ie. generally a \$3.50 check) which, if cashed by the business, automatically signs the business up for the Preferred Listing service for an initial twelve month period with automatic renewals thereafter. This easy subscription process provides a written confirmation (ie. the check) of the subscription by the newly subscribing business, which is verified by an independent third party (ie. the paying customers depositing bank). To additionally insure the intention of sign-up, the Company then mails a written confirmation card to the newly subscribing business generally within 30 days from activation. The Company also provides a 120-day cancellation period whereby the subscribing business may cancel and receive a full refund of any amounts paid to the Company.

Recently, the Company has created an outbound calling department whose function is to proactively obtain the 40-word description to be used in the Mini-Webpage(TM), as well as other information from each newly subscribing

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customer. This effort is expected to provide more information for potential customers searching our website to help them choose to do business with one of our Preferred Listing advertisers.

Each paying customer is billed monthly for that month's service, the vast majority of such monthly billings appear on the subscribing business's local phone bill. Management believes this ability to bill the paying customer through the paying customer's phone bill is a significant competitive advantage for the Company as few independent (not owned by a telephone company) yellow page companies are authorized to bill directly on the phone bill for services rendered.

The Company uses Simple.Net, Inc. ("SN"), an internet service provider beneficially owned by a director (DeVal Johnson) of the Company, to provide internet dial-up and other services to its customers (See Footnote 9 to the financial statements). SN charges the Company's customers \$2.50 per month for such internet access.

We were originally incorporated as a New Mexico company in 1969 and the Company was re-incorporated in Nevada in 1996 as Renaissance Center, Inc. Our Articles of Incorporation were restated in July 1997 and our name was changed to Renaissance International Group, Ltd. Effective July 1998, we changed our name to RIGL Corporation. In June 1999, we acquired Telco Billing, Inc. ("Telco") and commenced our current operations through this entity which is a wholly-owned subsidiary. In October 1999, we amended our Articles of Incorporation to change our corporate name to YP.Net, Inc. to better identify our company with our business focus.

From August through March 1999, we abandoned all subsidiaries previously involved in the multi-media software and medical billing and practice management areas. With the acquisition of Telco, our business focus shifted to the Internet yellow page services business and this business is currently our main source of revenue. Telco is operated as our wholly owned subsidiary.

GROWTH INITIATIVES

PRIMARY GROWTH STRATEGIES

PREFERRED LISTINGS—We currently derive almost all of our revenue from selling Preferred Listings for the search results on our website. A Preferred Listing is displayed at the beginning of search results in response to a user's specific search query. A Preferred Listing is enhanced on the display of search results and includes a "Mini-Webpage(TM)" listing where the paying customer can use up to 40 words to advertise; among other features. Our primary growth strategy is to obtain a significantly greater number of Preferred Listings given the large, estimated potential available market for such listings. As part of this strategy, the Company has re-instituted its marketing program and plans to regularly solicit its potential customer base of approximately 18 million businesses through its direct mail solicitation program. As a result of such program, the Company has increased its customer count from approximately 86,000 at March 31, 2002 to 279,071 at March 31, 2003.

BRANDING—The Company also plans to further embark upon a substantial campaign to brand its product using the YP.Net and Yellow-Page.Net names. The Company seeks to become the "internet yellow pages of choice" to businesses and consumers performing searches.

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In addition to its cross marketing and cross placement agreement(s) with other websites, the Company has signed a contract for advertising relating to Baca Racing and National Hot Rod Association ("NHRA") events which provides us with advertising on the Baca Racing vehicles as well as public relations and advertising as a sponsor of NHRA. In addition, we are members of both the Yellow Pages Integrated Media Association (YPIMA) and the Association of Directory Publishers (ADP). As further described under "Strategic Alliances", these organizations are trade associations for yellow page publishers that promote quality of published content and advertising methods. The Company plans to take an even more active role in the year ahead. In the future, the Company also plans to substantially increase its advertising through print, media and fixed placement advertising in select markets.

RECENT EVENTS

During the quarter ended March 31, 2003 and prior to this filing, the Company entered into several contracts relating to its business. The Company signed a license agreement with Palm, Inc. ("Palm") to become a provider of "yellow page" and "white page" content on PDA ("personal data assistant") devices using the Palm operating system. Such content will be provided by the Company to Palm through a hypertext link from the Palm operating system to the Company's website. The cost of this agreement was \$20,000 up-front for two years. This agreement is renewable for successive two year periods unless either party elects to terminate the agreement with no less than 60 days notice prior to the

end of the then-current term.

In addition, the Company also signed an agreement with Pike Street Industries whereby the Company's online "yellow pages" will be added to the list of online "yellow page" sites on Pike Street Industries, Inc's websites. The cost of this agreement is \$20,000 per month. This agreement may be terminated by either party at any time with 30 days notice.

The Company also recently signed a contract with Switchboard Incorporated ("Switchboard") Which allows preferred listing customers of YP.Net to be included in the "Featured Listing" section of Switchboard.com's internet "yellow pages". This agreement is for one year initially and is renewable unless either party terminates the agreement. The agreement involves a minimum monthly payment of \$20,000 by the Company for up to 250,000 directory advertisements hosted by Switchboard. The payment would increase for additional directory advertisements exceeding 250,000 at the rate of \$.08 per directory advertisement per month. This agreement is renewable for successive one year periods unless either party elects to terminate the agreement with no less than 30 days notice prior to the end of the then-current term.

The Company believes each of these agreements will increase the number of page views for our customers and, in the case of the Switchboard agreement, also provides Switchboard's customers the ability to also achieve additional page views by being listed on the YP.Net-related websites.

During the quarter ended March 31, 2003 and prior to this filing, the Company's unsecured trade acceptance facility with AcTrade Financial Technologies, Ltd. was verbally increased to \$250,000 from \$150,000. Such financings are conducted through the Company's wholly-owned subsidiary, Telco Billing, Inc., and in conjunction with the Company's vendors. Also, the Company signed an unsecured credit facility of \$250,000 with Bank of the Southwest on May 2, 2003. The facility is for one year and interest on borrowings, if any, will be at an interest rate of 0.5% above the Prime Rate, as defined.

The Company signed a new service agreement with eBillit, Inc. ("eBillit", formally Integretel), a current provider of billing aggregator services to the Company. The agreement requires the Company to pay processing fees of 2.75% of gross dollars deposited with eBillit per month plus other ancillary service fees. This agreement is for three years and is renewable for successive one year periods unless either party elects to terminate the agreement with no less than 90 days notice prior to the end of the then-current term.

RESULTS OF OPERATIONS

Revenue for the three month period ended March 31, 2003, was \$6,849,044 compared to \$2,839,438 for the three month period ended March 31, 2002 an increase of over 140%. For the six month periods ended March 31, 2003 and 2002, revenue increased to \$12,590,499 from \$5,832,839, an increase of over 115%. The increase in revenue is primarily the result of an increase in preferred listing customers. Preferred listing customers increased to 279,071 at March 31, 2003 compared to approximately 86,000 preferred listing customers at March 31, 2002, an increase of over 220%. Compared to the 113,565 preferred listing customers at September 30, 2002, the beginning of this fiscal year, the number of preferred listing customer has grown by 145% thus far this fiscal year. The increase in preferred listing customers is the result of our direct mail solicitation marketing efforts.

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Cost of services for the three month periods ended March 31, 2003 and March 31, 2002 were \$1,848,966 and \$733,402, respectively, an increase of approximately 150%. Cost of services for the six months ended March 31, 2003 and 2002 were \$3,671,116 and \$1,917,679, respectively, an increase of approximately 90%. Cost of services is comprised of billing aggregator dilution expenses, certain direct mailer marketing costs and the amortization of such costs, allowances for bad debt and our billing costs including billing fees charged by our billing aggregators. Dilution expenses include customer credits and any other receivable write-downs. The primary reason our cost of services has continued to increase is due primarily to the previously mentioned increase in preferred listing customers as well as increased dilution and billing fees resulting from our direct solicitation mailing efforts. Cost of services as a percent of net revenue was approximately 27% for the three months ended March 31, 2003 compared to approximately 26% for the same period in the prior fiscal year. Cost of services as a percent of net revenue was essentially flat comparing the three months ended March 31, 2003 with the comparable period in 2002 due the previously mentioned increased dilution and billing fees. These increased costs were offset by the leveraging of our fixed cost infrastructure over a larger customer base. For the six months ended March 31, 2003 and 2002, Cost of services as a percent of net revenue was 29% and 33%, respectively. This improvement is the result of the leveraging of our fixed infrastructure over a larger customer base compared to previous years period offset by the previously-mentioned increased costs relating to dilution and billing fee.

General and administrative expense for the three month periods ended March 31, 2003 and March 31, 2002 were \$1,666,108 and \$1,030,889, respectively, an increase of approximately 62%. For the six months ended March 31, 2003 and 2002, such expenses were 3,042,186 and 1,888,671, respectively, an increase of approximately 61%. General and administrative expenses increased due to an increase in costs and employees relating to our growth in preferred listing

customers, our Quality Assurance and Outbound marketing initiatives as well as an increase in certain officers compensation relating to employment contracts with such officers. In addition, during the three month period ended March 31, 2003, the Company's Board of Directors resolved to pay for the costs of defending a civil action filed against its CEO and Chairman. The action involves a business that the CEO was formerly involved in. The Company and at least one officer have received subpoenas in connection with this matter and the Board believes that it is important to help resolve this matter as soon as possible. The Board action includes the payment of legal and other fees for any other officers and directors that may become involved in this civil action. Through March 31, 2003, the Company has paid \$150,930 on behalf of its CEO relative to this matter. This civil action remains unresolved. At this time, the Company cannot estimate what additional costs may be incurred to continue covering the costs related to this matter, but all such costs shall be deemed to be additional compensation to the CEO. As a percent of net revenue, general and administrative expenses were 24% for the three months ended March 31, 2003 compared to 36% for the comparable period in 2002. For the six months ended March 31, 2003, general and administrative expenses as a percent of net revenue were 24% compared to 32% for the comparable period in 2002. The reduction in general and administrative expenses as a percent of net revenue is the result of the leveraging our fixed cost infrastructure over a larger customer base.

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Sales and marketing expenses are primarily the costs associated with our marketing relating to our direct mail solicitations. Sales and marketing expenses for the three month periods ended March 31, 2003 and March 31, 2002 were \$862,939 and \$85,454, respectively, an increase of approximately 900%. For the six months ended March 31, 2003 and 2002, sales and marketing expenses were \$1,495,374 and \$139,333, respectively, an increase of almost 1000%. The primary reason for the increase in sales and marketing is due to the Company fully re-instituting its marketing solicitation program and the implementation of new market strategies and modification of direct mail marketing pieces. Such marketing has resulted in the increase in preferred listing customers cited previously. We capitalize certain direct marketing expenses and amortize those costs over an 18 month period based on the customer attrition rates analyzed by the Company. As a percent of net revenues, sales and marketing expenses were 13% and 3% for the three month periods ended March 31, 2003 and 2002, respectively. For the six month periods ended March 31, 2003 and 2002, sales and marketing expenses as a percent of net revenue were 12% and 2%, respectively. The increase in sales and marketing expenses as a percent of net revenue results from the full re-institution of our marketing program.

Depreciation and amortization primarily relates to the amortization of the Company's intellectual property and depreciation of equipment. Regarding the Company's intellectual property, the cost of our Yellow-Page.Net URL license 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 \$93,032 and \$101,250 for the three month periods ended March 31, 2003 and March 31, 2002, respectively. For the six months ended March 31, 2003 and 2002, amortization expense on the URL were \$186,440 and \$202,500, respectively. Annual amortization expense in future years related to the URL is anticipated to be approximately \$200,000-\$300,000. Depreciation and amortization for the three and six month periods ended March 31, 2003 did not change significantly compared to the comparable periods in 2002. However, with the significant equipment purchases relating to the Company's previously- mentioned infrastructure additions, depreciation expense is expected to increase in future periods.

Interest income, net of interest expense for the three month periods ended March 31, 2003 and March 31, 2002, were \$12,069 and \$-0-, respectively. For the six month periods ended March 31, 2003 and 2002, interest income increased to \$12,789 from \$5,570. The increase in the interest income portion results from the Company's increased cash position resulting from the Company's increased profitability. The decrease in the interest expense portion was a result of the payment of a substantial portion of our debt in Fiscal 2002.

We recorded other income of \$180,980 and other expense of \$9,584, respectively, for the three month periods ended March 31, 2003 and March 31, 2002. The primary component of the increase in other income was an increase in revenue received from Simple.Net, a related party (See Footnote 9 to the Financial Statements) for customer and technical services provided by the Company to Simple.net offset by an expense of \$90,000 resulting from a settlement with an attorney formerly on retainer to the Company (See Footnote 7 to the Financial Statements). For the six months ended March 31, 2003, we recorded other income of \$229,886 compared to other expense of \$36,994 for the comparable period in 2002 as a result of the previously- mentioned items as well as a gain on the settlement with a former consultant to the Company.

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Net income before taxes for the three month periods ended March 31, 2003 and March 31, 2002 were \$2,504,774 and \$828,390 , respectively, an increase of over 200%. For the six month periods ended March 31, 2003 and 2002, net income before taxes were \$4,326,260 and \$1,555,631, respectively, an increase of approximately 178%.

Net income for the three month periods ended March 31, 2003 and March 31, 2002 were \$1,504,921 , or \$0.03per diluted share, and \$620,288 , or \$0.01 per diluted share, respectively, an increase in net income of over 140%. For the six months

ended March 31, 2003 and 2002, net income was \$2,597,813 or \$0.06 per diluted share and \$927,344, or \$0.02 per diluted share, respectively, an increase in net income of 180%. In the three and six month periods ended March 31, 2003 compared to the comparable periods in 2002, net income increased due to the increase in preferred listing customers cited above with a less than corresponding increase in the expenses to service such customers due to nature of certain fixed infrastructure expenses which do not necessarily increase as revenues increase offset by costs incurred relating to the previously cited infrastructure additions

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities for the six -month period ended March 31, 2003, was \$1,255,263 compared to \$915,816 for the six -month period ended March 31, 2002. The increase in cash generated from operations is primarily due to a significant increase in net income and corresponding income tax payable resulting from an increase in preferred listing customers offset by an increase in the accounts receivable balance from such growth and funds expended for mailings related to the Company's marketing efforts.

We had working capital of \$4,035,589 as of March 31, 2003 compared to \$2,376,087 as of March 31, 2002. The increase is due to primarily to increases in accounts receivable of \$2,448,346.

Cash used in investing activities was \$876,309 for the six -month period ended March 31, 2003. The primary components of cash used represents purchase of computer equipment (relating to the previously-mentioned infrastructure additions) and intellectual property of \$476,309, as well as net advances to affiliates of \$400,000. Compared to the six -month period ended March 31, 2002, where cash used of \$206,886 consisted of significantly lower purchases of computer equipment of \$69,459 and lower net advances to affiliates of \$62,857.

Cash used by financing activities was \$307,000 for the six -month period ended March 31, 2003, compared to \$1,051,743 for the six -month period ended March 31, 2002. The cash used represents total payments made to reduce the principal balances of our outstanding debt reduced by financing of \$147,000 under the Company's trade acceptance draft program with AcTrade Financial Technologies, Ltd.

We have repaid almost all of our debt. We believe that we will continue to generate adequate cash flow from our operations to service our remaining debt. We have a commitment to provide up to \$10,000,000 in loans to each of the M&M's (Morris & Miller, Ltd. and Matthew & Markson, Ltd.). Those funding commitments are contingent upon the Company having sufficient cash flow for its operations. Any amounts advanced to the M&M's are to be repaid to the Company and can be offset against amounts owed to the M&M's. We do not believe that the M&M's will make significant requests for funding under this commitment, as such advances would adversely affect our liquidity since the M&M's are our largest shareholders.

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On September 20, 2002, the Company entered into Executive Consulting Agreements with Sunbelt Financial Concepts Inc. ("Sunbelt"), Advertising Management and Consulting Services, Inc. ("AMCS") and Advanced Internet Marketing Inc. ("AIM") relating to the employment of three executive managers and their respective staffs. As part of these agreements, a Flex Compensation program was instituted. Under these agreements, each of Sunbelt, AMCS and AIM may annually draw up to \$220,000, \$50,000 and \$30,000 respectively subject to sufficient cash on hand at the Company. The amounts are increased by 10% annually and also contain a Due on Sale Clause, whereby if there is a change of control of the Company, as defined, then the respective agreements allows each to receive the greater of 30% of the amounts due under the respective agreements or 12 months worth of fees. As of March 31, 2003, all amounts had been drawn except \$18,841 remaining for Sunbelt

During the quarter ended March 31, 2003 and prior to this filing, the Company's unsecured trade acceptance facility with AcTrade Financial Technologies, Ltd. was increased to \$250,000 from \$150,000. Such financings are conducted through the Company's wholly-owned subsidiary, Telco Billing, Inc., and in conjunction with the Company's vendors. Also, the Company signed an unsecured credit facility of \$250,000 with Bank of the Southwest on May 2, 2003. The facility is for one year and interest on borrowings, if any, will be an interest rate of 0.5% above the Prime Rate, as defined.

CERTAIN RISK FACTORS

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 technology systems) to keep pace with the growth in our overall business activities. Our operations can be adversely affected if we are unable to increase our customer base and revenue through our direct marketing efforts. We are also subject to intense competition from other

providers of Internet "yellow page" type services, Yahoo and Microsoft, as well as competition from large telephone companies. Set forth below and elsewhere in this Form 10-QSB are risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in the Annual Report.

GROSS MARGINS MAY DECLINE OVER TIME: We expect that gross margins may be adversely affected because we have determined that profit margins from the electronic yellow pages offerings that we have profited from in the past have fluctuated. We have experienced a decrease in revenue from the LEC from the effects of the Competitive Local Exchange Carriers (CLEC) that are participating in providing local telephone services to customers. We have begun to address this problem and we are implementing data filters to reduce the effects of the CLEC's. We have also sought other billing methods to reduce the adverse effects of the CLEC billings. These other billing methods may be cheaper or more expensive than our current LEC billing and we have not yet determined if they will be less or more effective. We continue to look for profitable Internet opportunities; however there are no assurances that we will be successful, and presently we have no acquisitions in progress.

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DEPENDENCE ON KEY PERSONNEL: Our performance is substantially dependant on the performance of our executive officers and other key employees and our ability to attract, train, retain and motivate high quality personnel, especially highly qualified technical and managerial personnel. The loss of services of any executive officers or key employees could have a material adverse effect on our business, results of operations or financial condition. Competition for talented personnel is intense, and there is no assurance that we will be able to continue to attract, train, retain or motivate other highly qualified technical and managerial personnel in the future. Our Chief Executive Officer is involved in personal litigation, which may divert his attention from the management of the Company During the three month period ended March 31, 2003, the Company's Board of Directors resolved to pay for the costs of defending a civil action filed against its CEO and Chairman. The action involves a business that the CEO was formerly involved in. The Company and at least one officer have received subpoenas in connection with this matter and the Board believes that it is important to help resolve this matter as soon as possible. The Board action includes the payment of legal and other fees for any other officers and directors that may become involved in this civil action. Through March 31, 2003, the Company has paid \$150,930 on behalf of its CEO relative to this matter. This civil action remains unresolved. At this time, the Company cannot estimate what additional costs may be incurred to continue covering the costs related to this matter, but all such costs shall be deemed to be additional compensation to the CEO.

Since our Growth Rate may slow, operating results for a particular quarter are difficult to predict: We expect that in the future, our net sales may grow at a slower rate on a quarter-to-quarter basis than experienced in previous periods. This may be a direct cause of the projected changes to our direct marketing pieces or regulatory matters discussed below. See "MARKETING," above. As a consequence, operating results for a particular quarter are extremely difficult to predict. Our ability to meet financial expectations could be hampered if we are unable to correct the billing/dilution through the billing aggregators and CLEC markets seen recently. Additionally, in response to customer demand, we continue to attempt develop new products to reduce our attrition rates.

REGULATORY ENVIRONMENT. Existing laws and regulations and any future regulation may have a material adverse effect on our business. These effects could include substantial liability including fines and criminal penalties, preclusion from offering certain products or services and the prevention or limitation of certain marketing practices. As a result of such changes, our ability to increase our business through Internet usage could also be substantially limited.

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Item 3 - Controls and Procedures

As required by Rule 13a-14 under the Exchange Act, within 90 days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried on under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Principal Accounting Officer. Based upon that evaluation, our Chief Executive Officer and Principal Accounting Officer concluded that our controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out this evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded,

processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Principal Accounting Officer as appropriate, to allow timely decisions regarding disclosures.

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. See Footnote 7 to the Company's financial statements included herein. The Company's Chairman and Chief Executive Officer, Mr. Tullo, is a party defendant in an adversary proceeding ancillary to the Bankruptcy proceedings under Chapter 11 of American Business Funding, Inc. ("ABF"). See United States Bankruptcy Court for the District of Arizona, Case #00-01782-ECF-RJH, and Case #00-00151-RJH American Business Funding Corporation (ABF) v. Tullo, et. al. The suit alleges that all of the former officers of ABF, including Mr. Tullo, and others and entities that may have been controlled by them, made fraudulent conveyances and breached their fiduciary duty to certain shareholders of ABF.

Mr. Tullo has answered the complaints against him and has denied all the allegations and has been vigorously contesting the plaintiffs' claims. Mr. Tullo and his legal counsel have provided the following information:

Mr. Tullo alleges that he discovered a scheme of financial improprieties by his partners and some employees, including misappropriation of funds from ABF. Further that after Mr. Tullo left his former partners and those appointed by them continued to raise funds without disclosure and to pay old obligations with this new money. Mr. Tullo states that it was through his intervention, by contacting many of the creditors, meeting with the Arizona Attorney General's Office, and moving for and obtaining the appointment of a Receiver, and later a court appointed examiner, that the activities stopped. Upon the appointment of the receiver, the directors appointed by Tullo's former partners authorized ABF to file for protection under the United States Bankruptcy Code and initiated the suit referenced above.

There are several other suits related to ABF and its bankruptcy proceedings. In all of the cases not filed by the control persons of ABF, Mr. Tullo is not named as a defendant. The only findings of fact and conclusions of law that have been rendered in this series of cases is against one of the directors installed by Tullo's former partners, and that was by the Arizona Corporation Commission, docket number S-03443A-01-0000 Decision number 64079.

The Company has conducted a limited investigation of these matters, but is not in a position to confirm or deny the truth of the various and conflicting allegations. The litigation does not presently name the Company as a defendant. The litigation could adversely affect the Company if the litigation diverts Mr. Tullo's attention from his duties as an officer and director of the Company. Recently, the parties have engaged in preliminary settlement discussions, some of which have included the possible payment of cash or equity by the Company. There can be no assurance that the Company may not be named a defendant in this action in the future.

ITEM 2. CHANGES IN SECURITIES

During the six-months ended March 31, 2003, the Company issued an aggregate of approximately 6,050,000 shares in consideration of executive service agreements and compensation to an employee.

The Company issued the following shares:

- - 4,000,000 shares (value of \$300,000) to Sunbelt Financial Concepts, Inc. ("Sunbelt"), for services provided to the Company. Angelo Tullo, the Company's CEO and Chairman, is President of Sunbelt;

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- - 1,000,000 shares (value of \$75,000) to Advertising Management and Consulting Services, Inc. ("AMCS") for services rendered to the Company. Greg Crane, Company's Vice President of Marketing and a Director, is President of AMCS;

- - 1,000,000 shares (value of \$75,000) to Advanced Internet Marketing, Inc. ("AIM") for services rendered to the Company. DeVal Johnson, the Company's Secretary and Director is President of AIM;and

- - 50,000 shares (value of \$3,750) to David J. Iannini, the Company's CFO, for services rendered as such

The restricted shares were issued based upon the average bid and ask prices at the time of issuance (\$0.075) and were issued in reliance on the exemption from registration provided by Section 4 (2) of the Securities Act.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

10.24 eBillit, Inc. Master Services Agreement
10.25 Palm, Inc. License Agreement
10.26 Pike Street Industries, Inc. Agreement
10.27 Bank of the Southwest Promissory Note
10.28 Switchboard Incorporated Services Agreement
10.35 Actrade TAD Agreement

REPORTS ON FORM 8-K None

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SIGNATURES

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

YP.NET, INC.

Dated: May 14th, 2003 /s/ Angelo Tullo

Chairman, President, Chief Executive Officer

/s/ David J. Iannini

Chief Financial Officer

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Angelo Tullo, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of YP.Net, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal

controls; and

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6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 14, 2003

By: /s/ ANGELO TULLO

Angelo Tullo
Chairman, President and Chief Executive
Officer

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, David Iannini, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of YP.Net, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 14, 2003

By: /s/ DAVID IANNINI

David Iannini
Chief Financial Officer

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MASTER SERVICES AGREEMENT

THIS MASTER SERVICES AGREEMENT (the "Agreement") is entered into as of August 1, 2002 ("Effective Date"), by and between eBillit, Inc., a Delaware corporation ("EBI"), and Telco Billing, Inc., a Nevada corporation ("Client").

WHEREAS, Client is a provider of certain Internet and/or telecommunications related products and services; and

WHEREAS, EBI is engaged in the business of providing validation, billing, collection and related services to the internet and telecommunications industries; and

WHEREAS, EBI is willing to provide its services to Client, and Client desires to obtain such services from EBI, upon the terms and conditions stated herein;

NOW, THEREFORE, the parties hereto agree as follows;

1. DEFINITIONS. Certain terms used herein are defined in the attached Exhibit A and are incorporated herein by reference.

2. EBI SERVICES. EBI shall provide the following services (each a "Service Order") as more fully described on the referenced Schedules, attached hereto and made a part hereof. Service Orders may be added to this Agreement by execution of an applicable amendment hereto including an amendment to Exhibit "B" with respect to such added Service Order.

Schedule	Services Order Options	Initial Order
I	Validation/Registration	()
II	PhoneBill Services (Telco Billing)	(X)
III	DirectBill Services (Client-Branded Billing)	()
IV	Credit Card Processing	()
V	Automated Clearing House (ACH)	()
VI	End-User Inquiry (required with Service Option II or III)	(X)
VII	Collection Services	()
VIII	Customer Management Services	()

Throughout the Term of this Agreement, Client shall utilize EBI for any and all services covered by Service Orders hereunder.

3. Term. The term of this Agreement shall be for three (3) years from the Effective Date ("Initial Term"), and shall automatically renew for successive terms of one (1) year (each a "Renewal Term") unless

either party gives the other party ninety (90) days prior written notice of its desire to not renew at least ninety (90) days prior to the scheduled renewal, or otherwise terminates this Agreement in accordance with Section 12, The Initial Term and any Renewal Term shall be referred to collectively herein as "Term".

4. CLIENT SUBMISSION AND EBIEDIT. Where applicable to a Service Order, Client shall submit to EBI its Billing Transactions in a data format acceptable to EBI. Upon receipt of Client's Billing Transactions, EBI shall subject the Billing Transactions to its proprietary edit process (the "EBI Edit Process"), which may screen the Billing Transactions for, among other things, compliance with EBI's billing policies, billing coverage, regulatory requirements, syntax errors and other requirements as EBI may reasonably determine from time to time. EBI shall provide reasonable notification of any changes or restrictions in its edit criteria. Client shall use commercially reasonable efforts to screen its Billing Transactions to exclude records that are not likely to pass the EBI Edit Process. If any of Client's Billing Transactions fail to satisfy the criteria of the EBI Edit Process, EBI shall return such Billing Transactions to Client and EBI shall have no further responsibility For any such returned Billing Transactions.

5. SERVICE FEES. EBI shall be entitled to withhold from its disbursements to Client, or otherwise invoice Client, the fees and charges set forth on Exhibit B, attached hereto (collectively "Fees"). In the event EBI invoices Client for its Fees, such invoices shall be due and payable within five (5) business days of receipt by Client. EBI shall be entitled Co interest on any past-due Fees, or other amounts due to EBI, at the rate of 13% per annum or the maximum rate allowable by law, whichever is less, After the first annual anniversary of this Agreement, EBI may adjust its Fees with thirty (30) days prior written notice to Client, provided-however, that the aggregate effect of such adjustment shall not exceed ten percent (10%) in any 12 month period.

6. TAXES, Each party shall be responsible for the timely remittance of

such party's applicable Taxes (if any) to the appropriate taxing authorities, in no event shall either party be responsible for the other party's obligation to remit such other party's Taxes. Client shall either (initial which applies): (i) [] include, in the face amount of each Billing Transaction, the amount of any applicable Taxes and format such Billing Transactions so as to be exempt from any additional Taxes; (ii) [] provide written instructions to EBI directing EBI to apply specific Taxes to the Billing Transactions; or (iii) []

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direct EBI to cause its then-current taxing rates and logic to be applied to Client's Billing Transactions. In the event that EBI is providing services to Client under a Phone-Bill Service Order, attached hereto as Schedule II, then EBI shall cause any Taxes collected by a Telco in relation to Client's Billing Transactions to be remitted to the appropriate taxing authorities. Client agrees to indemnify and hold EBI, its directors, officers, employees, agents, and representatives harmless from and against any liability or loss resulting from any Taxes including, without limitation, any penalties, interest, additions to Tax, Tax surcharges and other Tax-related costs payable or incurred in relation to Client's Services or the Billing Transactions.

7. CLIENT REPRESENTATIONS AND WARRANTIES. Client represents and

warrants to EBI that, throughout the Term of this Agreement, Client shall be in compliance with all rules, regulations and policies

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including, but not limited to, federal, state, and local 1093! and regulatory requirements and the billing and collection guidelines contained in Exhibit C, attached hereto, applicable to any of Client's Services. This warranty is in lieu of any other warranty, express, implied or statutory.

8. EBI'S REPRESENTATION AND WARRANTY. EBI represents and warrants to

Client that, throughout the Term of this Agreement, EBI shall be in compliance with all rules, regulations and policies including, but not limited to, federal, state, and local legal and regulatory requirements applicable to the Services to be provided hereunder. This warranty is in lieu of any other warranty, express, implied or statutory.

9. PROOF OF COMPLIANCE. Each party agrees to provide written proof of

its compliance, with respect to its respective obligations under Sections 7 or 8 above, to the other party within five (5) business days of such other party's written request. Each party shall have the right to immediately suspend its performances under this Agreement, whether in whole or in part, without liability to the other party in the event that such other party does not provide satisfactory written evidence of such compliance. Each party agrees to notify the other party in writing, as soon as reasonably possible, of any instances where such party is not in compliance with applicable obligations under Sections 7 and 8.

10. LIMITATION OF LIABILITY. IN NO EVENT WILL EITHER PARTY BE LIABLE TO

THE OTHER PARTY FOR ANY LOSS OF PROFITS, LOSS OF USE, LOSS OF GOODWILL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES REGARDLESS OF THE FORM OF ANY CLAIM, WHETHER IN CONTRACT OR IN TORT OR WHETHER FROM BREACH OF THIS AGREEMENT, IRRESPECTIVE OF WHETHER SUCH PARTY HAS BEEN ADVISED OR SHOULD BE AWARE OF THE POSSIBILITY OF SUCH DAMAGES. CLIENT HEREBY ACKNOWLEDGES AND AGREES THAT EBI'S LIABILITY WITH RESPECT TO THE PERFORMANCE OF ITS SERVICES SHALL BE LIMITED TO THE AMOUNT OF FEES PAID BY CLIENT TO EBI FOR THE SERVICES THAT ARE THE SUBJECT OF ANY CLAIM.

11. INDEMNIFICATION.

(a) By Client. Client hereby agrees to indemnify and hold EBI

and its directors, officers, employees, agents, and representatives harmless from and against all obligations, liabilities, claims, demands, losses, damages, costs or expenses, including attorney's fees, arising out of or relating to: (i) Client's material breach of any representation, warranty, covenant or obligation hereunder; (ii) Client's Services; or (iii) the Billing Transactions processed by EBI in accordance with the terms of this Agreement,

(b) By EBI. EBI hereby agrees to indemnify and hold Client and

its directors, officers, employees, agents, and representatives harmless from and against all obligations, liabilities, claims, demands, losses, damages, costs or expenses, including attorney's fees, arising out of or relating to EBI's material breach of any representation, warranty, covenant or obligation hereunder.

(c) Enforcement. In the event that either party (in this context

on "Indemnified Party") is served as a defendant in any Claim arising out of any of the foregoing, the Indemnified Party shall promptly provide written notice thereof (the "Claim Notice") to the other party (in this context the "Indemnifying Party").

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Ten (10) business days of receipt of the Claim Notice, shall acknowledge, in writing, its obligation under this Section 11 and, thereafter, the Indemnifying

Party shall control all aspects of the defense of the claim. In the event that the Indemnifying Party fails to provide such written acknowledge within the specified timeframe then, at its option and without waiving its rights to indemnification hereunder, the Indemnified Party may defend itself, and the Indemnifying Party shall pay all reasonable attorney fees, costs and expenses incurred by the Indemnified Party in such defense.

12. TERMINATION FOR DEFAULT. Either party may terminate this

Agreement, effective immediately with written notice to the other party upon any of the following events:

(a) The other party defaults on any payment obligation hereunder and fails to cure such payment default within five (5) business days of written notice of such payment default to the defaulting party by the non-defaulting party; or

(b) The other party has violated a representation or warranty contained in this Agreement and such violation remains uncured after five (5) business days following written notice of such violation from the non-defaulting party specifying the nature of the violation; or

(c) The other party defaults with respect to any other provision of this Agreement and fails to cure such default within thirty (30) days of written notice of such default to the defaulting party by the non-defaulting party; or

(d) The other party has (i) filed a voluntary petition in bankruptcy or voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts, or any other relief under the Federal Bankruptcy Code or under any other insolvency act or law, now or hereafter existing, or (ii) a receiver or trustee appointed involuntarily, and any petition or action is not suspended, stayed or dismissed within sixty (60) days after its filing or appointment, as the case may be; or

(e) Either party determines, in its reasonable discretion, that its business image, reputation or goodwill is being harmed by the services of the other party and such other party has not satisfactorily cured the indicated problem within ten (10) business days of notice thereof from the first party.

13. EFFECT OF TERMINATION. The parties agree that the termination of

this Agreement for any reason whatsoever, shall not affect or terminate any obligation or liability incurred or assumed by either party prior to the effective date of termination of this Agreement including, without limitation, payment of amounts accrued or owing hereunder and the parties' respective obligations regarding Confidential Information.

14. CONFIDENTIALITY.

(a) As used in this Agreement "Confidential Information" of either party shall mean any information including, without limitation, trade secrets, technical and other information relating to the service or business operations of a party (the "Disclosing Party") that is disclosed either orally or in writing to the other Party (the "Receiving Party") and is marked "Confidential", bears a marking of like

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import, or would, by the application of a reasonable standard, be understood by the Disclosing Party to be of a confidential nature at the time of disclosure. "Confidential Information" shall expressly include any equipment, hardware or software made available to a Receiving Party by a Disclosing Party that includes or represents a tangible manifestation of a Party's "Confidential Information", whether or not such equipment bears any confidential legend or marking.

(b) Each party agrees that Confidential Information of the other party which is disclosed or obtained by it hereunder or otherwise, shall, subject to the terms and conditions of this Agreement, be retained in confidence and shall be protected to the same extent and in the same manner as comparable Confidential Information of the Receiving Party, but no less than a reasonable standard of care.

(c) Information shall not be deemed Confidential Information, and Receiving Party shall have no obligation under this provision with respect to any:

(i) Information that now or hereinafter comes into the public domain without breach of this Agreement;

(ii) Information rightfully and lawfully received by a Receiving Party from a third party without breach of this Agreement or any other agreement as evidenced by existing written documentation thereof;

(iii) Information developed independently or discovered by a Receiving Party without use of the Disclosing Party's Confidential Information as evidenced by existing written documentation thereof;

(iv) Information approved for release by the written authorization of the Disclosing Party; or

(v) Information disclosed pursuant to the requirement or

request of a governmental agency or court of competent jurisdiction to the extent such disclosure is required by a valid law, regulation or court order provided, however that reasonable prior written notice is given by the Receiving Party to the Disclosing party of any such requirement or request sufficient to permit the Disclosing party to seek an appropriate protective order or exemption from such requirement or request.

(d) All tangible forms of information, including, but not limited to documents, drawings, specifications, prototypes, samples and the like received hereunder by a Receiving party shall remain the property of the Disclosing Party. Upon written request by a Disclosing Party, the Receiving party shall return to the Disclosing Party all tangible forms of the Disclosing Party's Confidential Information received by Receiving party, together with all copies thereof.

15. CHOICE OF - LAW AND VENUE. THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. THE PARTIES AGREE THAT ALL ACTIONS OR

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PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND NOT OTHERWISE SUBJECT TO RESOLUTION BY ARBITRATION HEREUNDER. SHALL BE BROUGHT EXCLUSIVELY IN AND VENUE SHALL BE PROPER ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA. EACH OF THE PARTIES HERETO WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION.

16. PUBLIC ANNOUNCEMENTS Neither party, may use the other party's name in any public, announcements or public disclosures nor shall either party disclose the terms of this Agreement, without the prior written consent of the other party,

17. NOTICES. All notices and other communications that are required or may be given hereunder shall be in writing and shall be delivered personally, sent by U.S. mail with return receipt requested, by facsimile if receipt is confirmed by means other than the facsimile's electronic confirmation, or by an express carrier with receipt confirmation. All notices and other communications shall be deemed given when actually received by a party as evidenced by an appropriate confirmation. Notice shall be directed to a party at its address set forth below or such other address as shall be given in writing by such party.

eBillit, Inc.	Telco Billing, Inc.
5883 Rue Ferrari	4840 E Jasmine St. Suite 105
San Jose, CA 95138	Mesa, AZ 85205
Attention: General Counsel	Attention: Angelo Tullo
FAX: 408-362-2796	FAX: (480) 654-S727

18. DISPUTE RESOLUTION AND ARBITRATION. Except for an action seeking a temporary restraining order or injunction related to the purposes of this Agreement, or a suit to compel compliance with this dispute resolution process, the parties shall use the following alternative dispute resolution procedures as their sole remedy with respect to any claim, dispute, or other controversy arising out of or relating to this Agreement or its breach.

(a) Dispute Resolution. At the written request of a party to the other party, each party shall appoint an officer or employee representative to meet, negotiate in good faith, and attempt to resolve any dispute arising under this Agreement. The location, format, frequency, duration, and conclusion of these discussions shall be left to the discretion of the parties' representatives. Upon the mutual agreement of the parties, the designated representatives may elect to utilize non-binding mediation to assist in the settlement of the dispute. Discussions and correspondence among the representatives, for purposes of these negotiations, shall be treated as Confidential Information developed for purposes of settlement, exempt from discovery and production, and which shall not be admissible in any arbitration or related action absent the mutual written

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agreement of the parties. Documents identified in, or provided with such communications, that are not prepared for purposes of the negotiations, are not so exempted and may, if otherwise admissible, be admitted as evidence in any arbitration or related action hereunder.

(b) Arbitration. if the negotiations do not resolve the dispute within sixty (60) calendar days of the initial written request for a meeting pursuant to Section 13 (a) hereof, the dispute shall be submitted to binding arbitration by a single arbitrator pursuant to the Commercial Arbitration rules of the American Arbitration Association then in effect (the "Rules"). A party may demand such arbitration in accordance with the procedures set out in those Rules. The arbitration hearing shall be commenced within sixty (60) calendar days of the date of the demand for arbitration. The arbitration shall be held in San Jose, California. Judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. Each party shall bear its own costs of these procedures. A party seeking discovery shall reimburse the

responding party the reasonable costs of production of documents. The parties shall share equally the fees of the arbitration and the arbitrator.

19. GENERAL PROVISIONS.

(a) Attorney's Fees. In the event of any legal proceeding, other than arbitration, arising out of or relating to this Agreement, the prevailing party thereto shall be entitled to reimbursement from the other of all reasonable attorney's fees and costs incurred in connection therewith.

(b) Severability. If any provision of this Agreement is found to be invalid by any court, the invalidity of such provision shall not affect the validity of the remaining provisions hereof.

(c) Captions. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(d) Assignment. Either party may assign this Agreement to an entity holding a majority ownership interest in the assigning party or in which the assigning party holds a majority ownership interest. In addition, Client may assign, in whole or in part, its right to payments hereunder to a third party. Neither party may otherwise assign any of its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld. All assignments shall be in writing, duly signed by an officer of the assigning party. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties.

(e) Amendments: No Waiver. Except as otherwise provided herein, this Agreement may be amended or modified only by a written instrument executed and delivered by duly authorized representatives of the parties hereto, No waiver of any right hereunder shall be deemed to be a waiver of the same or any other right on any other occasion.

(f) Third Party Rights. The parties do not intend to confer any benefit hereunder on any person or entity other than the parties hereto.

(g) Further Assurances. The parties agree to do such further acts as may be reasonably necessary to evidence or confirm the agreements contained herein and the matters contemplated hereby.

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(h) Force Majeure. Neither party shall be deemed in default of this Agreement to the extent that any delay or failure in performance of its obligation results, without its fault or negligence, from any cause beyond its control, including, but not limited to, acts of God, acts of civil or military authority, government regulation, embargoes, epidemics, war, terrorist acts, riots, insurrections, fires, floods, earthquakes, nuclear accidents, strikes, power losses, unusually severe weather conditions, inability to secure third party products, services, communication or transportation facilities, Internet hacking, viruses or similar acts of sabotage, or act of or omission of common carriers (each an "Interrupt Event"). Upon the occurrence of an Interrupt Event that causes either party to be unable to perform its obligations hereunder, such party shall: (i) immediately notify the other party in writing of such Interrupt Event and its expected duration; and (ii) take all commercially reasonable steps to recommence performance of its obligations hereunder. In the event that an interrupt Event delays a party's performance of its obligations by more than fifteen (15) days following notice by such party, such event shall be deemed a default hereunder and shall be subject to the rights and remedies of these parties.

(i) Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, and both of which together shall constitute one and the same instrument.

(j) Integration of Agreement, This Agreement: together with the Exhibits and Schedules hereto, contains the entire understanding of the parties with respect to its subject matter and supersedes all prior and contemporaneous agreements, representations and understandings among the parties, whether oral or written, relating to the subject matter hereof.

(k) No Agency. Neither EB! nor Client is an agent, partner, joint venture, trustee, fiduciary or legal representative of the other party and neither EB! nor Client has authority to act for or incur any obligation on behalf of or in the name of the other party other than as expressly set forth in this Agreement.

(l) Corporate Authority. The parties hereto represent and warrant that they have the capacity, power and authority to enter into this Agreement, and that the individuals signing on behalf of both parties have the authority to so sign.

{- Signature page and Exhibits follow. Remainder of page intentionally left blank. -}

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date set forth above.

eBillit, Inc. (EBI)	Telco Billing, Inc. (Client)
By: /s/ Illegible	By: /s/ Angelo Tullo, pres.
-----	-----
Name: Illegible	Name: Angelo Tullo
-----	-----
Title: CEO	Title: President
-----	-----
Date: 1-2-03	Date: 12/6/02
-----	-----

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EXHIBIT "A"

DEFINITION OF CERTAIN TERMS

The following terms shall have the meaning ascribed thereto throughout this Agreement and any Exhibits and Schedules attached hereto:

"Account" shall mean a separate account of Client under which Billing

Transactions and settlement funds are tracked and reported.

"Account Number" shall mean the number, assigned by EBI, which is used to

reference a particular Account,

"Adjustment" shall mean a post-billing deduction made to an End-User's bill with

respect to Client's Billing Transactions, usually arising from End-User disputes regarding a billed amount Adjustments may be initiated by (i) Telcos, where applicable, in accordance with the Billing Contracts, (ii) by Client at its discretion, or (iii) by EBI in accordance with this Agreement.

"ANI" shall mean Automatic Number Identification, which refers to the network

capture of a dialing party's originating telephone number. For many dialed services, the ANI is used as the BTN (see below).

"Billing Contract" shall mean a billing and collection agreement entered into

between EBI and a LEG and/or certain third parties that contract directly with such LEG. Billing Contracts permit the inclusion of approved types of Billing Transactions on the LEC's local telephone bill to business and residential consumers. A current list of existing Billing Contracts as of the Effective Date is attached to Schedule II as Exhibit 11-A.

"BTN" shall mean a billing telephone number, which identifies the telephone line

to which a Billing Transaction was charged by an End-User.

"Billing Transaction" shall mean an electronic data record evidencing the use by

an End-User of Client's Service, which includes relevant information regarding such use.

"Client's Service" shall mean a service provided by a Service Provider which

gives rise to a Billing Transaction or otherwise results in or necessitates a service to be performed by EBI hereunder.

"Deposit Month" shall mean a particular calendar month within which Billing

Transactions are processed and submitted by EBI to the applicable Telcos.

"EBI Edit Process" shall mean EBI's internal edit checks applicable to the

formatting and/or content of Billing Transactions as further described under Section 4 of the Agreement.

"EBI Reserve" shall mean an amount withheld, from the amount otherwise owed to

Client with respect to Billing Transactions, to protect EBI from credit losses or otherwise to cover other reserves or offsets, other than Uncollectibles imposed by a Telco.

"EBI Systems" shall mean all of EBI's proprietary systems developed and owned by

EBI or licensed to EBI, including but not limited to any software, processes and procedures related thereto that are used by EBI in the performance of its obligations hereunder, EBI

Systems shall also include any improvements, enhancements, customizations, and upgrades thereto whether jointly developed or otherwise. EBI shall own all Intellectual Property Rights in the EBI Systems.

"End-User" shall mean a consumer of Client's Service, including, but not limited to, an individual, corporation or other entity.

"End-User Inquiry" shall mean oral or written contact from an End-User regarding a billing charge usually as a result of the End-User disputing such charge or otherwise seeking an explanation. End-User Inquiries are either handled by EBI or Client in accordance with the attached Schedule VI, or handled by a Telco in accordance with such Telco's inquiry policies and applicable regulations.

"Fees" shall mean those fees set forth on Exhibit B to the Agreement, which are applicable to the Service Options ordered by Client

"Intellectual Property Rights" shall mean all forms of proprietary rights, titles, interests, and ownership relating to patents, copyrights, trademarks, service marks, trade names, trade dresses, trade secrets, know-how, mask works, moral rights, and all similar rights of every type that may exist now or in the future under the laws of any jurisdiction.

"LEC" shall mean a local exchange carrier within the telecommunications industry that, among other things, provides dial tone service to business and for residential consumers.

"Reject" shall mean any Client Billing Transaction that fails to pass the EBI Edit Process as described in paragraph 4(a) hereof.

"Service Provider" shall mean either Client or Client's customer, as applicable, where such entity provides services to End-Users giving rise to Billing Transactions, In the event that Service Provider is not Client, Client is responsible for all actions, inactions, errors and omissions of Service Provider with respect to the Billing Transactions.

"Taxes" shall mean all federal, state or local sales, use, excise, gross receipts or other taxes or tax-like charges imposed on or with respect to any service or transaction which is the subject of this Agreement,

"Telco" shall mean a LEC with which EBI, directly or indirectly, maintains a Billing Contract. A current list of such Telcos as of the Effective Date is attached to Schedule II as Exhibit II-A.

"Term", "Initial Term" & "Renewal Term" are each defined in Section 3 of the Agreement.

The following Fees shall apply:

- 1) PHONEBILL SERVICES (TELCO BILLING)
 - a) Initial Account setup (sub-CIC) fee: N/A
 - each additional Account: \$1,500.00 one time
 - b) EBI Processing Fees:

Gross Dollars Deposited	Fee Rate
-----	-----
each Month	-----
All volume levels	2.75%

EBI's processing fee for each Account's Deposit Month shall be the greater of: i) the gross dollars deposited each month multiplied by the Fee Rate, or ii) \$.34 per Billing Transaction, or iii) a minimum monthly fee of \$10,000 for up to two Account(s) and \$5,000 for each additional Account. Notwithstanding item iii), above, in the event that, during any then-current Term, Client pays EBI a cumulative processing fee exceeding the product of the applicable monthly minimum and the number of months

included in such Term, then no monthly minimums shall apply for the remainder of such Term. For example, if after 12 months of the Initial Term, Client has been utilizing two Accounts and has paid to EBI \$240,000 in processing fees, then no monthly minimums would apply for the remainder of the Initial Term. This contract effective August 2002, but executed in final form 12/6/02 as such client has already met all minimum requirements for the contract period.

2) END-USER INQUIRY

a) Verbal End-User Inquiry	\$ 3.50 each
b) Referral (live agent)	\$ 2.00 each
c) Transferred or auto-referred	\$ 0.11 per minute
	Not to exceed \$1.00
d) Written End-User Inquiry	\$ 50.00 each
e) Written regulatory complaints	\$ 50.00 each
f) Adjustment record processing	\$ 0.50 each

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EXHIBIT "C"

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BILLING AND COLLECTIONS GUIDELINES

EBI has adopted the anti-cramming consumer protection guidelines of the Coalition to Ensure Responsible Billing (CERB). By adopting these guidelines, EBI is committed to billing standards and practices to ensure a maximum level of consumer protection. Client hereby agrees to the following as consideration for EBI billing for its services.

1. COMPANY INFORMATION

Client shall provide EBI with the following information:

- Client's company name, including dba's, and address.
- Names of all officers, directors and principals of Client.
- Proof of corporate or partnership status.
- Copies of certifications as required.
- Foreign corporation filings as required,
- Any Applicable tariffs upon request,
- The names and addresses of any telemarketing companies to be used by the Client.
- The names and addresses of any third party verification companies to be used by the Client.

2. SCREENING OF PROGRAMS, PRODUCTS AND SERVICES

Prior to EBI's billing for any Client services, Client shall provide EBI with the following information:

- A complete set of its marketing materials pursuant to the programs or services to be billed by EBI. "
- A complete set of its advertisements (print or other media) pursuant to the programs or services to be billed by EBI.
- Applicable fulfillment package (which must include cancellation information if not included elsewhere and a toll free Client service telephone number)
- Complete scripts for sales verification, Client shall not change scripts or programs without first providing changes to EBI.
- Honest, clear, and understandable text phrase for appearance on the bill.

NOTE: EBI will not provide billing for services employing the following practices and Client hereby agrees it will not provide Billing Transactions to EBI for the following:

- Box, sweepstakes, or contest - type entry forms.
- Negative option sale offers.
- 800 pay-per-call
- Collect callback
- Phantom billing (charging for calls never made or services never provided).

- Such other programs, products, or services that regulatory agencies, EBI or Telcos, where applicable, determine to be deceptive to consumers.

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EXHIBIT "C"

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BILLING AND COLLECTIONS GUIDELINES

3. COMPLIANCE MONITORING

EBI requires Client to:

- Minimize End-User inquiries and complaints it receives.
- Minimize End-User complaints to government agencies.
- Maintain up-to-date records regarding complaints and inquiries that it receives.
- Promptly adopt action plans to respond to complaints and inquiries,
- Assist and cooperate with investigations of End-User disputes,
- Promptly cease billing any recurring charges to an End-user when there is a clear indication that such End-User is no longer utilizing Client's product or service.

4. MANDATORY AUTHORIZATION!

Where State or Federal agencies (or Telcos, Where applicable) require consumer pre-authorization for the services, products or programs provided by Client, Client must employ one of the following forms of authorization. Such authorization must be retained for a period of two (2) years and made available upon request. Additionally, if State/Federal agencies or Telcos amend their requirements, Client is responsible for its full compliance thereto:,

- Recorded independent third party verification
- Written or electronic letter of authorization (LOA)
- Written or electronic sales order
- Voice Recording of telephone sales authorization,

An authorization must legibly include the following to be valid;

- The date of authorization.
- The telephone number and, where practical, name and address of the consumer.
- Assurance that the consumer is qualified to authorize billing.
- A complete description of the product or service,- A description of the applicable charges.
- An explicit acknowledgment by the consumer as to how the charges for the product or service will appear on his/her bill.
- Affirmative acceptance by the consumer of the offer.
- A toll-free number that subscribers may call to make inquiries concerning the service.

In addition, authorization verified by an independent third party must include;

- An initial statement that the purpose of the verifications is to confirm the consumer's intention to accept the sales offer.
- A statement that the service provider is not affiliated with o LEG, where there is no affiliation.
- A unique consumer identifier.
- A review by third party personnel of the entire verification where the verification is automated,

An Independent third party verifier must meet the following criteria:

- It must be completely independent of the service provider and the telemarketer,
- It must not be owned, managed, controlled or directed by Client or the telemarketer.
- It must not have any financial incentive in the completion of the sale.
- It must operate in o location physically separate from the service

BILLING AND COLLECTIONS GUIDELINES

5. HIGH STANDARD BILLING PRACTICES

Central to a consumer's right to ensure that they have not been billed inappropriately is the ability to understand and read the bill. Client shall use it's best efforts to ensure that the information provided to EBI fairly and accurately describes the service(s) provided to the End-User including, but not limited to:

- Identification of the Client providing the services.
- Detailed description of products or services.
- Detailed identification of the charges.

6. END-USER SATISFACTION

As End-Users must be able to easily and quickly address potential billing disputes, EBI may provide the End-User or a regulatory agency on request;

- The name, address, phone number and fax number of the Client.
- The nature of any charge
- The method of authorization.
- Information as to how an End-User may cancel a service or product.

In conjunction with the Agreement EBI, or Client, will provide:

- A toll-free customer service number.
- Dedicated staff to respond to End-Users inquiries,
- Full and timely investigation Of any written dispute.
- A credit or response to the End-User within 30 days of the End-User's dispute.

7. DISCLOSURE

Client hereby agrees that EBI may share the following with federal and state enforcement agencies:

- Identifying information with respect to terminated billing for Client programs or services.
- A description of specific problems relating to "Slamming" or "Cramming" that EBI has encountered, and the steps taken to correct such problems.
- Summary and detailed data with regard to End-User complaints, inquiries and Adjustments.

8. REIMBURSEMENT TO EBI

Client acknowledges and agrees to fully reimburse EBI, within ten (10) days, any fines or penalties charged EBI by Telcos and/or State/Federal agencies pursuant to Client's Billing Transactions billed by EBI.

(These guidelines may be amended from time-to-time by EBI providing thirty (30) days prior written notice. If such changes have a material adverse effect on

Client's ability to market its services. Client may immediately terminate this

Agreement without penalty.)

SCHEDULE II-Service Order for PhoneBill SERVICES (TELCO BILLING)

This Service Order for PhoneBill Services ("Service Order") shall be effective as of the Effective Date of the Agreement (the "Order Date"). This Service Order may be terminated by either party, as of the end of the then-current Term of the Agreement, by providing written notice to the other party at least 90 days prior to the end of such current Term. Otherwise, this Service Order shall remain in full force and effect until termination of the Agreement.

1. SERVICE ORDER SUMMARY. This Service Order shall generally include;

- i) submission of Client's valid Billing Transactions to Telcos for billing and collection, ii) processing of Unbillables, Adjustments and Uncollectables as such terms are defined herein, iii) database administration to support End-User

Inquiry, iv) reconciliation and settlement of amounts due to Client with respect to the Billing Transactions, and v) standard reporting and tracking for each Account established by Client.

2. TELCO SUBMISSION. UNBILLABLES. EBI shall submit to the Telcos

those Billing Transactions of Client that have passed the EBI Edit Process and represent Client Service that have been pro- approved by EBI and/or the Telcos where applicable, Telcos may subject Client's Billing Transactions, submitted to it by EBI, to its own edit process and either be unable or unwilling to bill certain transactions (each an "Unbillable") even though such Unbillable transactions passed the EBI edit process. Unbillables returned to EBI in an electronic format by the Telco will be returned to Client in a similar format. EBI shall have no further responsibility for such Unbillable transactions except, however, if Billing Transactions are deemed Unbillable due to EBI's error or omission, EBI shall correct and resubmit such Billing Transactions at no additional charge to Client, Unbillables shall be applied to the settlement of amounts due Client in accordance with the methodology set forth on Exhibit II-B attached hereto.

3. INQUIRY SUPPORT, ADJUSTMENTS. A separate service order to cover

End-User Inquiry is attached to the Agreement as Schedule VI, Notwithstanding the previous sentence, each Telco reserves the right to perform End-User Inquiry pursuant to the applicable Billing Contract, As a result of End-User Inquiry services or otherwise as initiated by either party or a Telco, EBI shall process Adjustments, as such term is defined on Exhibit A to the Agreement, and incorporate the amount of such Adjustments into the settlement of amounts due to Client Adjustments initiated by a Telco and reported to EBI shall be applied to Client in accordance with the methodology set forth on Exhibit II-B attached hereto.

4. HOLDBACK, TRUE-UP, UNCOLLECTABLES. Telcos may withhold, from the

gross deposited dollars, a reserve amount to cover anticipated write-offs of uncollectible End-User accounts ("Uncollectable"), which may be realized some time in the future. EBI shall withhold a similar amount from funds otherwise due to Client (the "Telco Holdback") in order to cover amounts withheld by Telcos. The Telco Holdback rate shall be

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initially set at ten percent (10%) of the gross value of Client's Billing Transactions. The Telco Holdback rate may be modified from time to time by EBI based on a reasonable analysis of Client's Billing Transactions. From time to time, Telcos will conduct a reconciliation of the amounts held back compared to actual Uncollectables realized for a particular period (a "Telco True-Up") and may subsequently revise their reserve rates as well as collect from or refund to EBI any difference between the amounts withheld by such Telcos and the actual Uncollectables. After a Telco performs its Telco True-Up and reports the results to EBI, EBI will similarly reconcile the Telco Holdback amount with the realized Uncollectables pursuant to the methodology contained in Exhibit II-E (each such reconciliation a "True-Up"). EBI shall include the results of such True-Ups on a summary report to Client, True-Up results reflected on the summary report shall be incorporated into the settlement of amounts due to Client, as further described in Section 6, hereunder.

5. OTHER DEDUCTIONS.

a) Telco Fees. EBI shall be entitled to recover from or

pass-through to Client, all Telco-imposed processing and other charges associated with Client's Billing Transactions ("Telco Fees"). The Telco fees are set forth on Exhibit II-D hereto.

b) EBI Reserve. EBI may withhold, from any amounts otherwise due

to Client, an amount necessary to fund the EBI Reserve. The EBI Reserve rate for each Account under this Agreement will initially be established at four percent (4%) of gross value of Client's Billing Transactions, EBI may, in its reasonable discretion, adjust the EBI Reserve requirement for any Account, Such adjustment may be accomplished by either; (i) adjusting the previously established reserve percentage for such Account; (ii) adjusting or offsetting the EBI Reserve for another Account; (iii) invoicing Client directly for additional amounts required; or (iv) reimbursing Client for excess amounts, if applicable. With respect to Client's Billing Transactions, certain Telcos may require a reserve for Unbillables and/or Adjustments exceeding certain thresholds. This requirement may necessitate an increase in the EBI Reserve. If applicable, this increase shall be based on Client's actual Unbillable and/or Adjustment experience over a three (3) month period for the subject Telcos. The adequacy of this component of the EBI Reserve shall be reviewed on a quarterly basis and determined based on Client's actual experience of Unbillables and/or Adjustments in the prior quarter for the relevant Telcos.

6. SETTLEMENT OF AMOUNTS DUE. Client Shall be entitled to the gross value

of the Billing Transactions remitted to the Telcos less any applicable Unbillables, Adjustments, Telco Holdback, excess Uncollectables (pursuant to any True-ups), Fees, Telco Fees and EBI Reserves (the difference being the "Net Proceeds"). On or before the 60th day following the end of a Deposit Month, EBI shall transfer, by wire to Client's designated bank account, an estimate of the Net Proceeds relating to such Deposit Month. Within thirty (30) days thereafter, EBI shall reconcile the estimated amount paid to Client with the actual Net Proceeds for the subject Deposit Month and apply any corrections to a subsequent

payment event. All wire instructions from Client to EBI shall be in writing signed by a duly authorized representative of Client. In the event that the

calculation of Net Proceeds yields a negative amount, EBI's reporting to Client of such negative amount shall be deemed an invoice for same and Client shall, within fifteen (15) days, reimburse EBI for such negative amount. In addition to the Net Proceeds, Client shall be entitled to any excess Telco Holdback from prior period True-ups and any excess EBI Reserve as set forth below:

(a) Periodic EBI Reserve Remittance. No later than thirteen (13)

months from the end of a given Deposit Month ("Roll-Down Month"), EBI shall apply fifty percent (50%) of the Roll-Down Month's EBI Reserve, by Account Number, to Client's Account, At the 18th month from the close of a Roll-Down Month, EBI shall apply the balance of the Roll-Down Month's EBI Reserve, by Account Number, to Client's Account.

7. REPORTS.

(a) Standard Reporting. EBI agrees to provide Client with EBI's

standard reports identified in Exhibit II-C attached hereto and incorporated herein. Client may request that EBI provide additional reports or a different formatted report. To the extent EBI can comply with such request with reasonable effort, EBI shall supply such reports at an additional charge based upon the time and expense to be mutually agreed upon by the parties.

(b) Report Review. Client agrees that it is solely responsible

for inspecting and reviewing all reports provided by EBI within sixty (60) days of receipt by Client. Client's failure to report any errors; or inconsistencies with respect to such reports within such timeframe shall constitute acceptance by Client.

(c) Report Detail. Client acknowledges and agrees that (i) the

individual Telcos may not always provide definitive detail to EBI for amounts the Telco deems to be Unbillables, Adjustments, or Uncollectables, (ii) EBI shall not be held to a higher standard of accounting pertaining to Telco performance as that provided by the individual Telco, and (iii) EBI's methodology contained in Exhibit II-B associated with the determination of Client's share of Unbillables, Adjustments or Uncollectables is reasonable and appropriate given the detail received from the individual Telco.

(d) Audit. Upon 30 days prior written notice by Client, but no

more frequently than once during a twelve (12) month' period, Client shall have access to EBI's records pertaining to Client's Billing Transactions, including, but not limited to, the information EBI receives from Telcos, The audits conducted hereunder shall be at Client's solo cost and expenses provided, however, it an audit reveals that amounts due to Client were understated by more than 10% for the period audited, then EBI shall, in addition to promptly paying to Client the understated amount, reimburse Client for all reasonable out-of-pocket audit costs. Notwithstanding any of the foregoing, Client shall have no right to audit any EBI records pertaining to periods more than eighteen (18) months prior to the date of notice of such audit.

8. BILLING APPEARANCE. Where 3 Telco provides the capability,

Client's Billing Transaction shall appear on such Telco's subscriber bills under the name designated in writing by Client for each Account Number.

9. TELCO CONFIDENTIALITY Client hereby acknowledges and agrees that,

without authorization from a Telco, Client shall not publish or use the name, service mark or trademark of any Telco in its advertising, telemarketing, direct mail or other promotions or make any misrepresentations concerning an affiliation with any Telco with regard to the Billing Transactions or Client's Services, in the event of a violation of this section, Client shall pay to EBI, as liquidated damages, for loss of reputation and business good will, and not as a penalty, \$10,000 for each such violation.

{- End of Schedule II. Exhibits follow. Remainder of page intentionally left blank - }

<TABLE> <CAPTION>

Telco Billing Contracts

<S>	<C>	<C>	<C>
Ameritech	- Ohio Bell	NYNEX	- New England Tel
	- Michigan Bell		- New York Tel
	- Indiana Bell		
	- Wisconsin Bell	Pacific Bell	- Pacific Bell

	- Illinois Bell		- Nevada Bell
Bell Atlantic	- New Jersey Tel	Southwestern Bell	
	- Bell PA		
	- Diamond State	U.S. West	- Northwest Bell
	- C&P DC		- Mountain Bell
	- C&P MD		- Pac NW Bell
	- C&P VA		
	- C&P WVA	Alltel	
Bell South		Cincinnati Bell	
GTE	- GTE North	Illuminet	
	- GTE Florida		
	- GTE South	NECA	
	- GTE South West		
	- GTE California	SNET	
	- GTE West		
	- GTE North West	Sprint United	- United Florida
	- GTE Hawaii		- CT & T
			- United Indiana
			- United Midwest
GTE Contel	- GTE North Contel		
	- GTE South Contel		
	- GTE S-W Contel	Telecom Canada	
Citizens Telephone			

All programs are subject to initial and continuing Telco approval and can be terminated at any time. Additional Telcos may be available for service, subject to Telco approval, upon EBI review and recommendation. The above information is generally current at the time of printing and is to be used for informative purposes only. The information contained in this Exhibit is subject to change without notice. Inclusion in the above list does not indicate or imply that the name Telcos approve the program(s) contemplated under this Agreement, EBI makes no promise or guarantee that this information is constant, permanent, all inclusive and/or final.

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EXHIBIT "II-B"
TELCO RETURNS

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MATCHING PROCESS & ALLOCATION METHODOLOGY

Rejects:

Full Key: Bill To Number (BTN)
Originating Number Terminating Number Call Date
Call Time (Seconds excluded)
Call Duration (Seconds excluded)

A reject call record that matches a history record based on the above Full Key is considered an exact match and is returned to the Client with the EBI return code in position 70-71,

Unbillables:

Full Key: Bill To Number (BTN)
Originating Number Terminating Number Call Date
Call Time (seconds excluded)
Call Duration (seconds excluded)

An unbillable call record that matches a history record based on the above FullKey is considered matched and is returned to the Client with the EBI return code in position 70-71.

If the total matched data is less than the unbillable amount charged by the Telco, a non-specific allocation is applied to the shortfall. The non-specific allocation methodology is based on each Client's specific unbillable experience compared to the total specific unbillable amount for each particular Telco.

ADJUSTMENTS 4501XX:

PASS # 1-FULL KEY: BILL TO NUMBER (BTN)
Originating Number Terminating Number Call Date
Call Time (seconds excluded)
Call Duration (seconds excluded)

An adjustment call record that matches a history record based on the above Full Key is considered matched and is returned to the Client with the original call record that it matched.

Pass # 2-Partial Key: Bill To Number (BTN) - Optional\Required
Originating Number - Optional\Required
Terminating Number - Optional
Call Date - Optional

Call Time - Optional
Call Duration - Optional

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EXHIBIT "II-B"

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TELCO RETURNS

Matching Process & Allocation Methodology

An adjustment call record that matches a history record based on matching a minimum of four (4) keys, which must include one (1) of the Optional/Required keys in the above Partial Key, is considered matched and is returned to the Client with the original call record that it matched. The adjustment amount may not be greater than the history record amount.

Pass # 3- Matrix Key: Bill To Number (BTN) - Optional/Required
Originating Number - Optional/Required
Terminating Number - Optional/Required
Call Date - Optional
Call Time - Optional
Call Duration - Optional

An adjustment call record that matches a history record based on matching a minimum of four (4) keys, which must include one (1) of the Optional/Required keys in the above Matrix Key is considered matched and is returned to the Client with the original call record that it matched. The adjustment amount may not be greater than the history record amount.

All BTN's contained in Telco Returns are compared to a BTN split table to determine if BTN was involved in an area code split. If the BTN was involved in an area code split, the previous & current NPA is utilized in the matching process.

All adjustment call records that fail the Full, Partial or Matrix Key matching process are combined with the 4550XX adjustment records and are matched utilizing the Bulk Match process,

ADJUSTMENTS 4550XX:

Bulk Match Key: Bill To Number (BTN)
Call Date
CIC

Bulk logic is a one-to-many matching process and utilizes the call date to

determine the calls eligible for matching. All call dates equal or older than

the Telco taps date are considered eligible. Matching is conducted in LIFO order up to the value of the adjustment call record. Matched call records are eliminated from the eligible pool after they have been adjusted to their original value. This elimination is based on the process run date regardless of the number of files (tapes) being processed for a given Telco within a particular run.

An adjustment call record that matches a history record based on Bulk Match logic is returned to the Client with the original call record or records that it matched. Because the Bulk Match logic will allow matching to many records, it also allows matching to one or more Clients. Therefore, the returned 4550XX adjustment record may be included in more than one Client's return detail information.

If the total combined matched data is less than the adjustment amount charged by the Telco, a non-specific allocation is applied to the shortfall. The non-specific allocation methodology is based on each Client's specific adjustment percentage in comparison to the total specific adjustment.

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EXHIBIT "II-B"

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TELCO RETURNS

MATCHING PROCESS & ALLOCATION METHODOLOGY

If the Telco fails to provide data for the End-User adjustments, and therefore no matching can be performed for that particular Telco, EBI will utilize the following methodology to allocate the adjustment amount reflected on the Telco PAR statement. The non-specific allocation methodology is based on the understanding that when a Telco reports End-User adjustments on the PAR statement, those adjustments are generally related to billings from both the PAR month and the month prior to the PAR month. Therefore, EBI uses each Client's billing activity for these two months, coupled with an historical adjustment percentage for each Client, as the basis for the allocation of the non-specific adjustments.

For instance, if the Telco reports End-User adjustments on the October PAR statement, EBI would use June, July and August to derive an historical adjustment experience percentage by Client. This would result in a basis for allocation applied to September and October billing which would generate the non-specific allocation percentage for each Client that is utilized in the reconciliation of the October PAR.

To determine the non-specific adjustment allocation percentage for each Client, EBI performs the following steps:

Step 1 - Identify all Clients that deposit to that particular Telco for the given two-month period.

Step 2- Determine the actual billings deposited for each Client to that particular Telco as the basis for allocation.

Step 3 - For all Clients identified in Step 2, determine the historical adjustment percentage. This percentage is based on the Telcos that have provided each Client with a 50% or higher of detailed adjustments.

Step 4 - Multiply the actual billings amount in Step 2 by the historical adjustment percentage in Step 3 for each Client.

Step 5- Determine each Client's percentage of the sum total of the Step A calculation.

Step 6 - Allocate the non-specific adjustment for that particular Telco based on the weighed percentages determined in Step 5.

For example, XYZ Telco has applied \$50,000 adjustment amount to the PAR without supporting data. The Clients who deposited in XYZ Telco would receive allocation in the following manner:

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<TABLE>
<CAPTION>

EXHIBIT "II-B"
Telco Returns

Matching Process & Allocation Methodology

Step 1	Step 2	X	Step 3	=	Step 4	Step 5	Step 6
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Client #	Billings- Deposited With XYZ Telco for Sept & October	X	Historical Adjust % Telco >50% supporting detail for June, July & August	=	Step 2 x Step 3	Each Clients' contribution in relation to total in Step 4 (% of 123,200)	\$ Allocated (% in Step 5x \$ 50,000)
111	\$ 55,000	X	10%	=	\$ 5,500	4.46%	\$ 2,230
222	\$ 160,000	X	15%	=	\$ 24,000	19.48%	\$ 9,740
333	\$ 35,000	X	22%	=	\$ 7,700	6.25%	\$ 3,125
445	\$ 220,000	X	35%	=	\$ 77,000	62.5%	\$ 31,250
555	3300,000	X	3%	=	\$ 9,000	7.31%	\$ 3,655
					\$ 123,200	100.00%	\$ 50,000

</TABLE>

Uncollectibles 4601XX & 4650XX (Used for True-Ups):

Write-Off Match Logic: Bill To Number (BTN)
Call Date
CIC

Uncountable write-off logic is a one-to-many matching process and utilizes the write-off date to determine the calls eligible for matching. All call dates equal or older than the write-off record date are considered eligible. Matching is conducted in "last-in-first-out" order up to the value of the write-off record. Matched call records eliminated, from the eligible pool after they have been adjusted to their original value. This elimination is based on the process run date regardless of the number of files (tapes) being processed for a given Telco for a particular run.

A write-off record that matches a history record based on write-off logic is returned to the Client with the BTN, write-off date and matched amount. The total of all matched write-offs is referred to as the "Specific Write-Off".

If the total of all Client's Specific Write-Offs is less than the write-off amount charged by the Telco, a "Non-Specific Write-Off" is applied to each Client for the shortfall. The Non-Specific Write-Off is based on each Client's Specific Write-Off in comparison to the total of all Specific Write-Offs. For example, if a Client's Specific Write-Off is 10% of the total of all Specific Write-Offs, then they will be allocated a Non-Specific Write-Off of 10% of the aforementioned shortfall. The Client's Specific Write-off and Non-Specific Write-Off together make up the Client's "Write-Off Allocation" for a particular True-Up.

If the Telco fails to provide adequate data for the write-off matching and, therefore, no matching can be performed for that particular Telco, EBI will utilize the following methodology to determine the Write-Off Allocation, used to apply the write-off amount reflected on the Telco PAR statement. Client will only be responsible for the write-off for customers it billed (BTN's). This non-specific write-off allocation methodology is based on each Client's experience of detailed write-offs over a 12 month period, for Telcos that do provide write-off detail, coupled with each Client's billing activity for the three months prior to the Telco write-off date.

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EXHIBIT "II-B"
Telco Returns

Matching Process & Allocation Methodology

To determine the non-specific write-off allocation percentage for each Client, EBI performs the following steps:

- Step 1 - Identify all Clients that deposited to that particular Telco for the applicable months.
- Step 2- Identify each Client's deposited dollars to that particular Telco for the applicable month:.
- Step 3 - For all Clients identified in Step 1, determine each Client's historical write-off percentage based on the various Telcos that have provided each Client with 50% or greater of actual write-off detail over a 12 month period.
- Step 4- Multiply the deposit amount in Step 1 by the write-off percentage in
in
- Step 3 For each Client.
- Step 5 - Determine each Client's percentage of the sum total of the Step 4 calculation.
- Step 6 -Allocate the non-specific write-off amount for the Telco based on the weighted percentage:-. determined in Step 5.

For example, XYZ Telco has applied 350,000 write-off amount to the PAR statement without supporting detail. The Clients who deposited in XYZ Telco for this time period would receive allocation of the 550,000 in the following manner:

<TABLE>
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Step 1	Step 2	X	Step 3	=	Step 4	Step 5	Step 6
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Client #	Actual Billing Deposited In XYZ Telco		Historical Write-Off % Telco >50% supporting detail		Step 2 x Step 3	Each Clients' contribution in relation to total in Step 4 (% of 123,200)	\$ Allocated (% in Step 5x \$ 50,000)
111	\$ 55,000	X	10%	=	\$ 5,500	4.46%	\$ 2,230
222	\$ 160,000	X	15%	=	\$ 24,000	19.48%	\$ 9,740
333	\$ 35,000	X	22%	=	\$ 7,700	6.25%	\$ 3,125
445	\$ 220,000	X	35%	=	\$ 77,000	62.5%	\$ 31,250
555	3300,000	X	3%	=	\$ 9,900	7.31%	\$ 3,655
					\$ 123,200	100.00%	\$ 50,000

</TABLE>

True-Up Procedure:

Once Clients Write-Off Allocation has been determined, it is compared to the Telco Holdback reserved for (he period being trued-up, and the difference, if any, is reported on a True-Up Summary report. A positive difference (i.e. Telco Holdback was greater than the Write-Off Allocation) will be remitted to Client, while 3 negative difference (i.e. Telco Holdback was less than the Write-Off Allocation) will be paid by Client.

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<TABLE>
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EXHIBIT "II-C"

DELIVERY Schedule of Reports & Data Files

The following reports and data files are available via FTP:

Report/Data File	Day Available
<S>	<C>
Confirmation Report	Within 24 hours of Client posting
Call Acceptance Transmittal Data File	Friday and/or Tuesday by 5:00pm PST
Edit Reject Data File	Friday and/or Tuesday by 5:00pm PST
IGT Inquiry Services Data Files	Monday After 5:00pm PST
IGT Cancellation Request Data Files	Monday thru Friday (if applicable) by 5:00pm PST
Telco Unbillable Data Files	Friday After 5:00pm PST
Telco Adjustment Data Files	Friday After 5:00pm PST
Credit Unbill Data File	Thursday After 5:00pm PST
Telco Uncollectable Data Files	Friday by 5:00pm PST
Payment Summary Data File	Thursday After 5:00 PST
Payment Unbill Data File	Thursday After 5:00 PST
Payment Recourse\Holdback Data File	Thursday After 5:00 PST

The Following reports are available on
the online web directory

Deposit	
Call Acceptance Summary	Friday and/or Tuesday by 5:00pm PST
Special Message Summary	Friday and/or Tuesday by 5:00pm PST

Chargeback	
Integretel Adjustment Summary	Monday After 5:00pm PST
Integratel inquiry Comments	Monday After 5:00pm PST
LEG Adjustment Summary	Monday After 5:00pm PST
LEG Unbills Summary	Monday After 5:00pm PST
LEG Write Off Summary	Monday After 5:00pm PST
LEG Recovery Summary	

Settlement	
Monthly Performance Status Report	Wednesday After 5:00pm PST
Settlement Statement Report	Wednesday After 5:00pm PST
Settlement Status Report	Wednesday After 5:00pm PST
Settlement Status Excef Spreadsheet	Wednesday After 5:00pm PST
Payment Summary Report	Wednesday After 5:00pm PST
Payment Summary Excel Spreadsheet	Wednesday After 5:00pm PST
Unbill Report	Wednesday After 5:00pm PST
Unbill Excel Spreadsheet	Wednesday After 5:00pm PST
Recourse\Holdback Report	Wednesday After 5:00pm PST
Recourse\Holdback Excel Spreadsheet	Wednesday After 5:00pm PST
True-Up Summary Reports	Wednesday After 5:00pm PST
Telco Returns Detail Listing Spreadsheet	Wednesday After 5:00pm PST
Detail Reconciliation Report	Wednesday After 5:00pm PST
True up Summary (Actual) Report	

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<TABLE>
<CAPTION>

EXHIBIT "II-D"
Telco Fees

Telco Group	SID	Telco Name	Bill Render	Interstate Per Msg.	Interstate Per Msg.	Bulk 4250 Per MSg.	SSM 010118 Per Msg.	Pay/Call 010116 Per Msg.	End-User Adjust
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Ameritech	9321	Ohio Bell	0.4879	0.0535	0.0535	0.1070	0.1070	0.2996	9.63
	9323	Michigan Bell	0.4560	0.050	0.050	0.100	0.100	0.2800	9.00
	9325	Indiana Bell	0.4560	0.050	0.050	0.100	0.100	0.2800	9.00
	9327	Wisconsin Bell	0.4560	0.050	0.050	0.100	0.100	0.2800	9.00
	9329	Illinois Bell	0.4560	0.050	0.050	0.100	0.100	0.2800	9.00
Verizon	9102	New Eng Tel	1.1100	0.020	0.020	0.1350	0.1350	0.2500	15.00
	9104	New York Tel	1.1100	0.020	0.020	0.1350	0.1350	0.2500	15.00
	9205	New Jersey Tel	1.1100	0.020	0.020	0.1350	0.1350	0.2500	15.00
	9208	Bell Penn.	1.1100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	9210	Diamond State	1.1100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	9211	C&P DC	1.1100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	9212	C&P MD	1.1100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	9213	C&P VA	1.1100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	9214	C&P WVA	1.1100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
Bell South	9417	Bell South	0.5170	0.0390	0.0390	.079+2.5%	0.0390	.079+2.5%	6.40
GTE Companies	169	GTE North	0.9100	0.0200	0.0200	0.135	0.135	0.2500	15.00
	328	GTE Florida	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	479	GTE South	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00

	2080	GTE S-West	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	2319	GTE California	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	2320	GTE West	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	2416	GTE N-West	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	3100	GTE Hawaii	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
GTE Contel	170	GTE N-Contel	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	480	GTE S-Contel	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
	2081	GTE SW Contel	0.9100	0.0200	0.0200	0.1350	0.1350	0.2500	15.00
Citizens Tel	2308	Citizens Tel	-	.1275	.1275	.3775	.1275	0.3775	-
Pacific Bell	9740	Pacific Bell	.3632	0.0300	0.0300	0.2800	0.2800	0.2800	9.00
Nevada Bell	9742	Nevada Bell	0.4632	0.0300	0.0300	0.6500	0.6500	0.6500	9.00
Southwestern Bell	9533	S-West Bell	0.4132	0.0300	0.0300	0.2800	0.3000	0.2500	9.00
U.S. West	9631	North West Bell	1.4500	0.0000	0.0000	0.0000	0.0000	0.0000	1.250
	9636	Mountain Bell	1.4500	0.0000	0.0000	0.0000	0.0000	0.0000	1.250
	9638	PAC N-W Bell	1.4500	0.0000	0.0000	0.0000	0.0000	0.0000	1.250
Antel	9995	Alltel	0.6890	0.0925	0.0925	0.0925	0.0925	0.0975	-
Cincinnati Bell	9348	Cincinnati Bell	0.7300	0.3300	0.3300	0.3300	0.3300	0.0330	15.00
Illuminet	9999	Illuminet	-	0.800	0.800	0.800	0.800	0.800	-
NECA	9996	NECA	-	0.550	0.550	0.550	0.550	0.550	-
SNET	9147	SNET	0.5533	0.1174	0.1174	0.1174	0.1174	0.2968	-
Sprint United	341	United Florida	0.4100	0.200	0.200	0.200	0.200	0.200	2.00
	470	Carolina AT&T	0.4100	0.200	0.200	0.200	0.200	0.200	2.00
	832	United Indiana	0.4100	0.200	0.200	0.200	0.200	0.200	2.00
	9993	United Midwest	0.4100	0.200	0.200	0.200	0.200	0.200	2.00
Telcom Canada	8050	Telcom Canada	-	0.560	0.560	0.560	0.560	0.560	-

Above information is current at the time of printing and is to be used for informative purposes only. The information contained in this exhibit is consistent, permanent, all inclusive and/or final and is subject to change without notice.

The US West End-User Adjustment Fee is based on each line item adjusted

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SCHEDULE VI - SERVICE Order for END-USER INQUIRY

This Service Order for End-User Inquiry ("Service Order") shall be effective as of the Effective Date of the Agreement ("Order Date") and shall remain in full force and effect as long as there is in effect a valid service order for either PhoneBill or DirectBill services.

1. SERVICE ORDER SUMMARY. This Service Order shall generally

include: i) Referral or transfer of End-User inquiries to Client, ii) Handling by EBI of End-User Inquiries under certain circumstances in accordance with Inquiry Guidelines and Inquiry Standards, each as defined herein.

2. CLIENT-HANDLED INQUIRIES. Client may elect, by written notice

to EBI, to provide Us own End-User Inquiry support provided, however, that Client is able to continually meet the performance requirements set forth on Exhibit VI-A (the "Inquiry Standards"), attached hereto. EBI shall refer or transfer End-User Inquiries to Client based on mutually agreeable procedures. Notwithstanding the previous sentence, in the event that an End-User refuses to be referred or transferred to Client or otherwise initiates a subsequent Inquiry and expresses dissatisfaction with Clients handling of such End-User's original Inquiry, than EGI may handle such subsequent Inquiry in accordance with the Inquiry Guidelines. If EBI determines, in its reasonable discretion, that Client's End-User Inquiry support is unsatisfactory, EBI may elect to provide End-User Inquiry support immediately upon written notice to Client.

3. EHANDLED INQUIRIES. in the event Client has not elected to

handle End-User Inquiries or if otherwise Client has been unable to meet the performance requirements set forth above, then EBI shall handle End-User Inquiries in accordance with its standard procedures or otherwise as mutually agreed to by the parties (the "Inquiry Guidelines"). Client agrees to cooperate with EBI with respect to End-User Inquiries including, without limitation, providing originating numbers, locations, applicable rate tables, and detailed written and/or electronic End-User authorizations, such as letters of agency, as requested by EBI. EBI and Client shall establish a contact within each organization for the purpose of resolving End-User Inquiries. When subscription authorization is required, Client shall provide EBI with a toll-free number and/or a data file to access End-User subscription information.

(a) Adjustments. EBI shall use reasonable efforts to sustain

billing charges in accordance with the inquiry Guidelines. However, EBI shall not be required hereunder to commence any litigation or take any other form of action to enforce collection of bills rendered to End-Users except as expressly provided in an applicable service order between the parties.

(b) Regulatory Complaints. EBI shall respond to any

regulatory complaints made by End-Users and forwarded to EBI by a regulatory agency and shall provide a copy of such response to Client upon request.

{- End of Schedule VI. Exhibits follow. Remainder of page intentionally left blank. -}

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EXHIBIT "VI-A"
INQUIRY STANDARDS

End-User inquiry shall be performed by Client or EBI (each in this context a "Provider") in accordance with the following Inquiry Standards:

1. Provider shall maintain a toll-free telephone number through which End-User's initiate inquiries. Where practical, such number shall be prominently displayed on the End-User's bill.
2. Provider shall answer 80% of all End-User Inquiries, with a live Client service agent, within 90 seconds.
3. Provider shall have adequate Client service staff available to support End-User Inquiries between the hours of 8:00 am and 5:00 pm for all time zones where End-Users reside.
4. Provider shall not allow calls to be routed to a voicemail! function during required service hours (live agent must answer all calls).
5. Provider shall maintain a call abandon rate less than or equal to 5% of inbound calls.
6. Provider shall respond to written End-User Inquiries, in writing, within 15 days of receipt.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date set forth above.

EBILIT, INC. (EBI)

TELCO BILLING, INC. (CLIENT)

By: Joe Lymon

Name: Joe Lymon

Title: CEO

Date: 1-2-03

By: Angelo Tullo

Name: Angelo Tullo

Title: PRESIDENT

Date: 12/6/02

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LICENSE AGREEMENT

This LICENSE AGREEMENT (the "Agreement") is entered into by and between YP Net, Inc., a Nevada corporation with its principal place of business located at 4840 East Jasmine Street, Suite 110, Mesa, Arizona, 85205 ("Company") and Palm, Inc., a Delaware corporation, with a place of business located at 400 N. McCarthy Blvd., Milpitas, CA 95035 ("Palm"). The effective date of this Agreement shall be February 01, 2003 (the "Effective Date").

1. DEFINITIONS. For purposes of this Agreement, the following terms shall

have the following meanings:

1.1 Company Content means any and all content and software owned or

licensed by Company that is accessible on the Company Site.

1.2 Company Link means a hypertext link to the Company Site, as further

described on Exhibit A, facilitating the provision of the Company Services to

End Users via a Palm Device.

1.3 Company Marks means the Company trademarks and the associated logos

set forth on Exhibit B.

1.4 Company Services means the services described on Exhibit C which

will be provided to End Users through the Company Site including, without
limitation, the delivery of the Company Content.

1.5 Company Site means the World Wide Web site located at the Company

URL which is customized to be accessible via a Palm Device and which features
the Company Services.

1.6 Company URL means the universal resource locator, or the unique

text address of the Company Site, set forth on Exhibit A.

1.7 Confidential Information means all nonpublic information, whether

in oral, written or other tangible form that the party disclosing the
information (the "Disclosing Party") designates as being confidential or which,
under the circumstances surrounding disclosure, the receiving party (the
"Recipient") knows or has reason to know should be treated as confidential,
including without limitation, the terms and conditions of this Agreement.
Notwithstanding the foregoing, Confidential Information does not include
information that: (i) is or becomes generally available to the public other than
(a) as a result of a disclosure by the Recipient or its employees or any other
person who directly or indirectly receives such information from Recipient or
its employees, or (b) in violation of a confidentiality obligation to the
Disclosing Party known to the Recipient; (ii) is or becomes available to the
Recipient on a non-confidential basis from a source which is entitled to
disclose it to the Recipient; or (iii) was developed by employees or agents of
the Recipient independently of and without reference to any information
communicated to the Recipient by the Disclosing Party.

1.8 Intentionally left blank.

1.9 End User means a person who accesses the Company Site via a Palm

Device.

1.10 Intellectual Property Rights means copyrights, trademark rights,

patent rights, trade secrets, moral rights, right of publicity, authors' rights,

contract and licensing rights, goodwill and all other intellectual property rights as may exist now and/or hereafter come into existence and all renewals and extensions thereof, regardless of whether such rights arise under the law of the United States or any other state, country or jurisdiction.

1.11 Palm Device means any device, including, without limitation, a handheld computing device, incorporating the Palm operating system.

1.12 Palm Mark means the Palm trademark and the associated logo set forth on Exhibit B.

1.13 Palm Sites means the World Wide Web sites which are co-branded with the Palm Mark, and any successor sites thereto.

1.14 Intentionally left blank.

1.15 Product means the Palm software described on Exhibit D.

1.16 Third Party Content means content, including, without limitation, third party trademarks, and software which may be licensed from third parties by Palm and made available to End Users.

1.17 User Data means personally identifiable information collected and/or stored by Palm, if any, which is provided to Company by End Users in the course of End Users' use of the Company Services via Palm Devices, and includes without limitation, any usage statistics derived from a particular End User's use of the Company Site, including, without limitation, identity, credit card information, information and such user's behavior with respect to use of the Company Services.

2. LICENSE GRANTS AND DEVELOPMENT.

2.1 Company Link. Company grants to Palm a non-exclusive, non-transferable, worldwide, fully paid-up and royalty-free license, with the right to sublicense, to publicly display, use, reproduce and distribute (directly or indirectly, through multiple levels of distribution, including without limitation, as incorporated within the Product) the Company Link to facilitate the provision of the Company Services to End Users. Company shall deliver the hyperlink component of the Company Link to Palm no later than February 7, 2003. Company shall deliver the graphic icon component of the Company link to Palm no later than February 14, 2003.

2.2 Intentionally left blank.

2.3 Company Link. Company acknowledges and agrees that Palm is under no obligation to promote the Company Site, the Company Content or the Company Services, or to distribute, sublicense or otherwise make the Company link available to End Users or to other third parties, in the event that Palm determines, in its reasonable discretion, that the Company Content, the Company Link or the Company Site: (i) suffers from material performance problems; (ii) results or could result in any transmission of material in violation of any foreign, international, federal, state or local law or regulation, including without limitation, material which encourages conduct that would constitute a criminal offense or otherwise violate any such law or regulation; (iii) violates the copyright, trade secrets or other proprietary rights of any third party in any jurisdiction; (iv) in any way violates or infringes upon any third party's privacy right, right of publicity, or any other right of any person or entity;

(v) is otherwise unsuitable for inclusion in a particular version of the Product, including, without limitation, a co-branded product or private labeled

version; or (vi) is unlawful, harmful, abusive, hateful, offensive, obscene, threatening, libelous or defamatory, or contains material which may contain a computer virus, cancelbot, Trojan horse, work or other harmful or disruptive component.

2.4 License to Provide End User Access. Company grants to Palm and its

sublicenses a non-exclusive, non-transferable, worldwide, fully paid-up and royalty-free license to provide access to the Company Component and the Company Services on the Company Site via the Company Link to End Users.

2.5 Intentionally Left Blank.

2.6 Non-exclusivity. Either party shall have the right to enter into

contractual agreements with other providers of content, products and services similar to those of the other party hereto, in each party's sole discretion.

2.7 Reservation of Rights. Each party reserves all rights no otherwise

granted in this Section2 (License Grants and Development). Nothing in this Agreement shall be construed to grant Palm any rights in and to Company Link, except as specifically provided in Section 2.1 (Company Link).

3. Ownership -----

3.1 Ownership by Company. As between Company and Palm, Company shall

own all right, title and interest, including all Intellectual Property Rights, in and to the Company URL, the Company Link, the Company Site (excluding the Palm Mark) and the Company Services.

3.2 Ownership by Palm. As between Company and Palm, Palm or its

suppliers shall own all right, title and interest, including all Intellectual Property Rights, in and to the Palm Sites (excluding the Company Marks), the Palm mark, the Palm Devices, the Product (excluding the Company Link and the Company Marks) and the Third Party Content. Company acknowledges that Palm owns exclusive rights in a family of trademarks that includes, among others, the Palm Mark. Company will not use "Palm" as part of any of Company's product, service, top-level or second-level domain name or institution names and will not take or authorize any action inconsistent with Palm's exclusive trademark rights during the term of this Agreement or thereafter. Company agrees that the use of the Palm Mark by Company shall inure to the benefit of and be on behalf of Palm. Company acknowledges that Company's utilization of the Palm Mark will not create any right, title or interest in such Palm Mark in Company. Company shall use the Palm Mark so that each Palm Mark creates a separate and distinct impression from any other trademark that may be used or affixed to materials bearing the Palm Mark or used in connection with services provided under the Palm Mark.

4. OBLIGATIONS OF THE PARTIES. -----

4.1 Implementation. The Company Site will be made available to End

Users on a date to be mutually agreed upon in writing by the parties. The Company Site will be hosted on Company's servers or on the servers of Company's Internet service provider. Once made available to End Users, Company shall ensure that the Company Services remain available through the Company Site throughout the Term. At all times during the Term, Company shall ensure that the Company Content is at least as up-to-date as any similar content displayed on all other sites of Company on the World Wide Web.

4.2 Use and Ownership of User Data.

(a) Collection of User Data. Company acknowledges that the

provision of wireless services to enable End Users to access the Company Services using a Palm Device results in the access by Palm of User Data. Palm agrees that it shall not disclose User Data to third parties in a manner such that the User Data is identifiable as belonging to a particular End User. Palm

shall be entitled, however, to use and disclose User Data in the aggregate in a manner that does not associate the aggregate data with any individual End User. Notwithstanding anything to the contrary contained herein, Palm agrees that it will not collect, use or disclose any User Data in violation of any applicable law or regulation, or in violation of Palm's then-current privacy policy.

(b) Ownership of User Data. Palm acknowledges and agrees that,

subject to Section 4.2(a) (Collection of User Data), User Data shall be owned by Company. Company acknowledges and agrees that all user data collected from End Users (other than the User Data) with respect to wireless use of the Palm Devices shall be owned by Palm.

4.3 Service Level Agreement. Company shall use commercially reasonable

efforts to maintain the Company Site and provide Company Services in accordance with the service level agreement objectives set forth on Exhibit E.

4.4 Company URL. Company agrees to provide advance notification of at

least three (3) weeks to Palm of any upcoming or intended changes to the Company URL. Company further agrees that in the event of a change to the Company URL, Company will put in place a site redirect from the former Company URL to the new Company URL to avoid any potential impact to the Subscriber.

4.5 Advertising Guidelines. Company shall ensure that any advertising

or promotions displayed on the Company Site will comply with the advertising guidelines set forth on Exhibit F.

4.6 Support. Company will provide to Palm reasonable levels of

technical support during business hours via telephone and email. During business hours, Company shall notify Palm via telephone within one (1) hour of any conditions which significantly impair or prevent; (a) Company from providing the Company Services to End Users; or (b) End Users from accessing the Company Site ("Services Impairment"). During non-business hours, Company shall notify Palm via telephone or email within two (2) hours of any Service Impairment. Palm acknowledges and agrees that Company is not responsible for downtime on Company servers due to technical problems relating to the Internet or experienced by Internet service providers. In the event that any individual Service Impairment continues for longer than four (4) hours, Company shall use best efforts to resolve the Service Impairment immediately and will promptly notify Palm via telephone or email when the problem has been resolved.

5. REPRESENTATIONS AND WARRANTIES

5.1 Company's Warranties and Representations. Company warrants and

represents that:

(a) Company possesses full power and authority to enter into this Agreement to fulfill its obligations hereunder; and

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(b) The performance of the terms of this Agreement and of Company's obligations hereunder shall not breach any separate agreement by which Company is bound.

5.2 Palm's Warranties and Representations. Palm warrants and

represents that:

(a) Palm possesses full power and authority to enter into this Agreement and to fulfill its obligations hereunder; and

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(b) The performance of the terms of this Agreement and of Palm's

obligations hereunder shall not breach and separate agreement by which Palm is bound.

5.3 Warranty Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS

AGREEMENT, COMPANY PROVIDES ALL SERVICES PERFORMED BY COMPANY UNDER THIS AGREEMENT "AS IS". TO THE EXTENT PERMITTED BY THIRD PARTY SUPPLIERS, COMPANY WILL PASS THROUGH TO PALM ANY WARRANTIES AND INDEMNIFICATION PROVIDED BY SUCH THIRD PARTY SUPPLIERS TO COMPANY. EXCEPT AS EXORESSLY SET FORTH IN THIS AGREEMENT, PALM AND ITS SUPPLIERS MAKE NO WARRANTIES WITH RESECT TO THE PERFORMANCE OF THE PRODUCT, THE PALM SITES AND/OR THE PALM DEVICES, EXPRESS OR IMPLIED. PALM AND ITS SUPPLIERS EXPRESSLY DISCLAIM ANY AND ALL OTHER WARRANTIES, WHETHER STATUTORY, EXPRESS, OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF NON-INFRINGEMENT OF THIRD PARTY RIGHTS UNDER THE UNIFORM COMMERCIAL CODE, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

6. TRADEMARK LICENSE.

6.1 Company License.

(a) During the Term (as described in Section 9.1 (Term) below), Palm grants to Company a non-exclusive, worldwide, royalty-free and non-transferable license to use the Palm Mark on the Company Site and in connection with the promotion of the Company Services accessible via Palm Devices. This license does not include the right to sublicense the use of the Palm Mark. Company shall be in compliance with Palm's trademark guidelines as updated from time to time and as currently set forth in Palm's Trademark Policy Guidelines provided to Company promptly following the execution of this Agreement.

(b) Company agrees that the nature and quality of any materials or services supplied by Company bearing the Palm Mark shall be of high quality in the Internet industry. Palm shall have the right to approve Company's use of the Palm Mark. Prior to Company's using the Palm Mark, Company shall submit a written request for approval of such use to Palm. Palm shall not unreasonably withhold its consent to any use by the Company. If Palm does not object in writing, specifying the reasons for objection, within ten (10) business days of receipt of such request, Palm shall be deemed to have approved the request (the "Palm Approval Process"). Company may submit revised requests for approval of any use to which Palm objected, which shall be governed by the Palm Approval Process. Company agrees to cooperate with Palm in facilitating Palm's oversight of Company's use of the Palm Mark. Palm shall have the right to receive free samples of all advertising and promotional materials on which such trademarks are used. Company shall comply with all requests from Palm to correct any improper uses of the Palm

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Mark. Unless otherwise instructed by Palm, Company will use a legend on the Company Site and all printed materials and products bearing the Palm Mark similar to the following: "Palm is a trademark of Palm, Inc."

6.2 Palm License.

(a) During the Term, Company grants to Palm a non-exclusive, worldwide and royalty-free license, with the right to sublicense, to use the Company Marks in connection with the use, display, marketing, promotion and distribution of the Product, the Palm Devices and the Company Link pursuant to Sections 2.1 (Company Link) and Exhibit G. Palm shall be in compliance with

Company's trademark guidelines as updated from time to time and as currently set forth in Company's Trademark Policy Guidelines provided to Palm promptly following the execution of this Agreement.

(b) Company shall have the right to approve Palm's use of the Company Marks. Prior to Palm's using the Company Marks, Palm shall submit a written request for approval of such use to Company. Company shall not unreasonably withhold its consent to any use by Palm. If Company does not object in writing, specifying the reasons for objection, within ten (10) business days of receipt of such request, Company shall be deemed to have approved the request (the

"Company Approval Process"). Palm may submit revised requests for approval of any use to which Company objected, which shall be governed by the Company Approval Process. Palm agrees to cooperate with Company in facilitating Company's oversight of Palm's use of the Company's Marks. Company shall have the right to receive free samples of all advertising and promotional materials on which such trademarks are used. Palm shall comply with all requests from Company to correct any improper uses of the Company Marks.

7. CONFIDENTIALITY. During the Term, the Disclosing Party may provide

Confidential Information to the Recipient. The Recipient shall hold the Confidential Information in confidence, provided that the Confidential Information may be disclosed to such of the Recipient's or the recipient's parent companies' or subsidiaries' employees, contractors or advisors, who have a need to know for the purpose of fulfilling the Recipient's obligations under this Agreement. The Recipient shall advise any such individuals that the Confidential Information is confidential and that be receiving such information such individuals are agreeing to be bound by the terms of this Section 7 and are agreeing not to use such information for any purpose other than described herein. Without the Disclosing Party's prior written consent, the Recipient shall not, and shall direct such individuals not to, disclose the Confidential Information in whole or in part, except to the extent compelled by law, a court or other governmental body (including, without limitation, the rules and regulations of the Securities and Exchange Commission relating to the filing of exhibits to filings required under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended); provided, however, such Recipient shall provide prompt prior written notice thereof to such Disclosing Party to enable such Disclosing Party to seek a protective order or otherwise prevent such disclosure. The Recipient shall employ reasonable steps to protect the Confidential Information from unauthorized or inadvertent disclosure or use, including, without limitation, the steps that it takes to protect its own information that is considers trade secret. Either party may disclose information concerning this Agreement and the transactions contemplated hereby, including providing a copy of this Agreement: (i) in connection with the due diligence review of a party potential business partners or investors, or investment bankers, to such persons and to their employees, agents attorneys and auditors, (ii) in connection with quarterly and annual financial or tax audits, to the party's public accounting firm, and (iii) in connection with

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obtaining legal advice regarding this Agreement or any related matters, to the party's outside legal advisors.

8. INDEMNIFICATION.

8.1 Company Indemnification. Subject to the provisions of this

paragraph, Company will indemnify, defend and hold harmless Palm and its officers, directors, employees and agents (the "Palm Indemnification Parties") from and against any and all losses, liabilities, obligations, costs and expenses (including, without limitations, reasonable attorney's fees) incurred in connection with any suit, claim or action by any third party alleging that the Company URL, the Company Link, the Company Marks, the Company Content, the Company Services and/or the Company Site (other than the Palm Mark) infringe any Intellectual Property Right of any third party or any claim of damages brought or sought against Palm by any of Company's advertisers in connection with advertising on the Company Site. The obligations of this paragraph are contingent on Palm: (i) giving Company prompt written notice of any such claim; (ii) allowing Company to control the defense and related settlement negotiations (but Company shall not enter into any agreement which results in liability to the Palm Indemnified Parties without their prior written consent); and (iii) providing reasonable cooperation, at Company's expense, in the defense and all related settlement negotiations. Company may, at its sole option, elect to limit its obligations under this Section 8.1 by terminating this Agreement upon fifteen (15) days written notice to Palm; provided, however, that such termination shall not affecting indemnity obligations arising prior to termination. THE RIGHTS GRANTED TO PALM UNDER THIS SECTION 8.1 SHALL BE PALM'S SOLE AND EXCLUSIVE REMEDY AGAINST COMPANY FOR ANY ALLEGED INFRNGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF ANY KIND ARISING OUT OF THE SUBJECT MATTER OF

THIS AGREEMENT.

8.2 Palm Indemnification. Subject to the provisions of this paragraph,

Palm will indemnify, defend and hold harmless Company and its officers, directors, employees and agents (the "Company Indemnification Parties") from and against any and all losses, liabilities, obligations, costs and expenses (including, without limitations, reasonable attorney's fees) incurred in connection with any suit, claim or action by any third party alleging that the Product (other than the Company Link, the Company Marks and Third Party Content), the Palm Site (other than the Company Marks and the Third Party Content), the Palm Mark infringe any Intellectual Property Right of any third party. The obligations of this paragraph are contingent on Company: (i) giving Palm prompt written notice of any such claim; (ii) allowing Palm to control the defense and related settlement negotiations (but Palm shall not enter into any agreement which results in liability to the Company Indemnified Parties without their prior written consent); and (iii) providing reasonable cooperation, at Palm's expense, in the defense and all related settlement negotiations. Palm may, at its sole option, elect to limit its obligations under this Section 8.1 by terminating this Agreement upon fifteen (15) days written notice to Company; provided, however, that such termination shall not affecting indemnity obligations arising prior to termination. THE RIGHTS GRANTED TO PALM UNDER THIS SECTION 8.2 SHALL BE COMPANY'S SOLE AND EXCLUSIVE REMEDY AGAINST PALM FOR ANY ALLEGED INFRNGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF ANY KIND ARISING OUT OF THE SUBJECT MATTER OF THIS AGREEMENT.

9. TERM AND TERMINATION.

9.1 Term. This Agreement will commence on the Effective Date and,

unless sooner terminates as provided below, shall continue until twenty-four (24) months following the Effective Date (the "Initial Term"). This Agreement shall automatically renew for successive two (2) year periods (each a "Renewal Term") unless either party gives written notice to the other party of its intent not to renew the Term no later than sixty (60) days prior to the end of the then-current term. For each Renewal Term, Company shall be obligated to pay Palm the Co-Marketing Fees (defined below) as set forth in Exhibit G.

9.2 Termination for Cause. Either party may terminate this Agreement

upon written notice of a material breach by the other party as provided below, subject to thirty (30) day cure period. If the breaching party has failed to cure the breach within thirty (30) days after the receipt by the breaching party of written notice of such breach, the non-breaching party may give a second notice to the breaching party terminating the Agreement.

9.3 Return of Property. Upon the termination or expiration of this

Agreement, a party shall immediately deliver to the other party upon its written request all copies of Confidential Information or other materials then in its possession owned solely by such other party, including without limitation sales and marketing materials provided to Palm by the Company.

9.4 Effect of Termination. Upon termination or expiration of this

Agreement: (a) Palm and its sublicenses shall have the right to continue to manufacture, market, reproduce and distribute all existing versions of the Products that include the Company Link as of the date of such termination or expiration and to fulfill any purchase orders or contractual obligations for such Products existing on the date of such termination or expiration; (b) Palm and its sublicenses shall have a commercially reasonable period of time to remove the Company Link from and Product following such termination or expiration of this Agreement; and (c) Company shall also promptly cease using and cancel or allow to expire any URL or related alias that includes the word "Palm" which has been registered or used (directly or indirectly) by Company, including without limitation in connection with the Company Site. For purposes of this Agreement, any version of the Product which is a beta, gold master or commercial release on the date of such expiration or termination shall be deemed to be an existing version of the Product on such date. The expiration or termination of this Agreement shall not affect the validity of any End User license agreements applicable to Products (or other use by End Users) within the

scope of this Section 9.4. Company agrees to support the Company Services through the Company Site for sixty (60) days following the expiration or termination of this Agreement, except as otherwise provided in Section 2.4(Company Link).").

10. MARKETING SUPPORT. The parties agree that they will use commercially

reasonable efforts to engage in joint efforts to promote the Product and the Company Services as mutually agreed upon in advance and in writing. Each party agrees to perform those co-marketing obligations set forth on Exhibit G. The parties shall mutually agree on the substance and timing of a press release within 30 days regarding this Agreement and the parties' relationship. Neither Palm or Company shall make any other public announcement, except as they may mutually agree in advance and in writing, as to the existence and details of the matters set forth in this Agreement (other than to employees, consultants, shareholders or a required by such parties' disclosure obligations under the securities laws or regulations of the United States or any state thereof).

11. CO-MARKETING FEES.

11.1 Fees. Palm's marketing obligations as set forth on Exhibit G

shall be subject to Company's payment of the co-marketing fees set forth on Exhibit G ("Co-Marketing fees") according to the schedule set forth therein.

Unless stated otherwise in

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Exhibit G, the Co-Marketing Fees shall be due in full thirty (30) days from the

date of invoice. Any amounts which are not paid when due hereunder will be subject to an interest rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Payments shall be sent to Palm at the address set forth at the beginning of this Agreement or such other address as Palm may designate in writing.

11.2 Taxes. Company shall pay all sales, use, excise and other taxes

which may be levied upon either party in connection with this Agreement, excluding taxes based on Palm's net income.

12. LIMITATION OF LIABILITY

12.1 Consequential Damages Waiver. EXCEPT IN THE EVENT OF A BREACH OF

THE CONFIDENTIALITY OBLIGATIONS OR CLAIM MADE FOR INDEMNIFICATION, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT OR ITS TERMINATION, WHETHER LIABILITY IS ASSERTED IN CONTRACT OR TORT (INCLUDING NEGLIGENCE AND STRICT PRODUCT LIABILITY) AND IRRESPECTIVE OF WHETHER SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE.

12.2 Limitation of Liability. IN NO EVENT SHALL PALM'S TOTAL LIABILITY

UNDER THIS AGREEMENT EXCEED THE AMOUNTS PAID TO PALM HEREUNDER.

12.3 Allocation of Risk. Company and Palm agree that the foregoing

Section 12.1 and 12.2 on limitation of liability and the Sections 5.1, 5.2, and 5.3 above on warranties and warranty disclaimer fairly allocate the risks in the Agreement between the parties and that the limitations specified in this Section 12 shall apply notwithstanding any failure of the essential purpose of this Agreement or any limited remedy hereunder.

13. GENERAL.

13.1 No Partnership or Joint Venture. Company and Palm are independent

contractors and neither party is the legal representative, agent, joint venturer, partner, franchisor, franchisee or employee of the other party for any purpose whatsoever. Neither party has any right or authority to assume or create any obligations of any kind or to make any representation or warranty on behalf of the other party, whether express or implied, or to bind the other party in any respect whatsoever.

13.2 Notice and Service. All notices or requests, including

communications and statements which are required or permitted under the terms of this Agreement, shall be in writing and shall be sent by facsimile, or nationally recognized commercial overnight courier. Notices shall be deemed received upon receipt of written confirmation of transmission when sent by facsimile, or signing for receipt of delivery if sent by overnight courier. Notices shall be sent to the parties at the following addresses:

For Company: YP.net, Inc.
4840 E. Jasmine #110
Mesa, AZ 85205
Fax: 602-532-7813
Attention: Greg Cane

with a copy to: Lewis & Rocca, LLP
40 N. Central Ave.
Phoenix, AZ 85004
Attention: Randy Papetti

For Palm: Palm, Inc.
10 New England Business Center Drive
Suite 102, Andover, MA 01810
Fax: 978-975-3201

Attention: Sasha Norkin

with a copy to: Palm, Inc.
Solutions group 400 N. McCarthy Blvd.
Milpitas, CA 95035
Attention: General Counsel

13.3 Captions and Counterparts. All indices, titles, subject headings,

section titles and similar items contained in this Agreement are provided for the purpose of reference and convenience only and are not intended to be inclusive, definitive or to affect the meaning, content or scope of this Agreement. This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

13.4 Assignments. Neither party shall assign, voluntarily, by operation

of law, or otherwise, any rights or delegate any duties under this Agreement (other than the right to receive payments) without the other party's prior written consent, except that either party may, without the other party's consent, assign all or any part of its rights and duties under this Agreement pursuant to a corporate reorganization, or to any entity with whom either party merges, either party acquires or is acquired by or to whom with either party sells all or substantially all of its assets to which this Agreement relates. Subject to the foregoing, this Agreement will bind and inure to the benefit of the parties and their respective successors and permitted assigns.

13.5 Survival. Upon any termination or expiration of this Agreement, the

following Sections shall remain in full force and effect: 1, 2.7, 4.2, 5, 7, 8, 9.3, 9.4, 11, 12 and 13.

13.6 Governing Law and Jurisdiction. This Agreement shall be governed by

and construed under the laws of California without regard to conflict of laws principals. The parties agree and acknowledge that this Agreement is made and entered into in Santa Clara, California. The parties hereby submit to the jurisdiction of, and waive any venue objections against, the United States

District Court for the Northern District of California, San Jose Branch and the Superior and Municipal Courts of the State of California, Santa Clara County, in any litigation arising out of the Agreement.

13.7 Force Majeure. Neither party shall be liable for any loss or damage

or be deemed to be in breach of this Agreement to the extent that the performance of such party's obligations or attempts to cure any breach under this Agreement are delayed or prevented as a result of any event or circumstance beyond its reasonable control, including without limitation, war, invasion, act of foreign enemy, hostilities, civil war or rebellion (whether war be declared or not), or act of God.

PALM CONFIDENTIAL

13.8 Waivers; Modification. No failure or delay by either party in

exercising any right, power, or remedy under this Agreement shall operate as a waiver of any such right, power or remedy. No waiver or modification of any provision of this Agreement shall be effective unless in writing and signed by both parties. Any waiver by either party or any provision of this Agreement shall not be construed as a waiver of any other provision of this Agreement, nor shall such waiver operate as or be construed as a waiver of such provision respecting any future event or circumstance.

13.9 Severability. In the even any provision of this Agreement (or

portion thereof) is determined by a court of competent jurisdiction to be invalid, illegal, or otherwise unenforceable, such provision shall be deemed to have been deleted from this Agreement, while the remainder of this Agreement shall remain in full force and effect according to its terms.

13.10 Construction. This Agreement reflects the wording negotiated and

accepted by the parties and no rule of construction shall apply against either party.

13.11 Language. This Agreement is proposed and executed in the English

language only and any translation of this Agreement into any other language shall have no effect. All proceedings related to this Agreement shall be conducted in the English language.

13.12 Entire Agreement. This Agreement (together with the Exhibits

hereto) constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes any and all other agreements, written or oral, that the parties heretofore may have had with respect to the subject matter herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

YP.NET, INC.:

BY: /s/ Joseph Johnson

Name: Joseph Johnson

Title: Agent

PALM, INC.

BY: /s/ Sasha Norkin

Name: SASHA NORKIN

6
EXHIBIT A

Company Link

Company shall provide Palm with the following URL for the Company Link as follows:

Company URL

to be provided by Company by February 07,
2003

Palm shall have the right to approve in advance and in writing the appearance, size and content of the Company Link, and any changes Company makes to the Company Link.

EXHIBIT B

7

Company Marks

[GRAPHIC OMITTED]

YP.net

[GRAPHIC OMITTED]

YELLOW-PAGE.NET
Making It Easy For You

Palm Mark

THIS SITE IS
Palm wirelessready.
[GRAPHIC OMITTED]

8

EXHIBIT C

Company Services

YP.Net will Provide PDA web site with Yellow and White pages functionality. With approval from Palm, YP.Net may update, improve, enhance and add to it's list of services from time to time.

9

EXHIBIT D

Product

Any Palm portal software released by Palm, and all versions thereof, including, without limitation, all versions which may be Palm-branded, co-branded or private-labeled.

10

EXHIBIT E

Service Level Agreement Objectives

1. Company will not exceed a Downtime for more than one-tenth of one percent (0.1%) over a rolling thirty (30) day period. "Downtime" is defined as any one (1) minute period during which the Company Services processes no user queries.

2. Company will provide ninety-nine and nine-tenths percent (99.9%) Service Availability over a rolling thirty (30) day period, as measured and monitored from Company's facilities. "Service Availability" is defined as the successful processing by the Company Services of user queries received by Company from an End User. Service Availability does not include Downtime or due to technical problems relating to the Internet or experienced by Internet service providers.

3. Company will not exceed an average Server Latency of eight-tenths (0.8) of a second over any twenty-four (24) hour period. "Server Latency" is defined as the time period between the time: (a) when Company receives a user query from an End User; and (b) when Company has successfully processed the user query. Server Latency does not include any time associated with transmission of the user query from Palm to Company:

4. Company will not exceed an average Network Latency of four hundred (400) milliseconds over any twenty-four (24) hour period, excluding any Downtime or due to technical problems relating to the Internet or experienced by Internet service providers. "Network Latency" is defined as the round-trip time of an ICMP ping packet between Palm's servers and the servers at Company.

5. If Palm reasonably believes that Company is out of compliance with the applicable requirements for the Company Services as defined on this Exhibit E,

Palm may request a monthly report from Company (no more than once per calendar quarter) directed specifically to the parameter believed to have been violated. If Palm reasonably determines that Company has failed to meet the applicable requirement, Palm may provide a written notice to Company identifying the failure. If Company has not cured such failure within fifteen (15) days after receipt of such written notice, Palm shall have the right to terminate this Agreement, or any and all of its marketing obligations as set forth on Exhibit

G, immediately upon written notice to Company.

6. The provisions of this Exhibit E shall not be construed to limit the liability of the breaching party in any way or limit the non-breaching party from pursuing any remedies at law or in equity.

11

EXHIBIT F

Advertising Guidelines

The purpose of these advertising guidelines is to ensure the End Users that all

advertising accessible to the End Users is delivered in a manner to provide the best possible user experience.

1. Company shall not display any advertising on the Company Site:

(a) advertises or promotes adult or pornographic products, services, web sites, or web clipping applications:

(b) contains content which is unlawful, harmful, abusive, hateful, offensive, obscene, threatening, libelous or defamatory;

(c) advertises or promotes any illegal; products, firearms or tobacco products.

2. If Palm reasonably determines that an advertisement displayed on the Company Site violates the terms of Paragraph 1 above, Company shall remove the End User's access to such advertisement displayed on the Company Site within twenty-four (24) hours of the earlier of (a) Company first becoming aware of such advertisement, or (b) receipt by Company of written notice from Palm of the existence of such advertisement.

12

EXHIBIT G

Co-Marketing Obligations

A. Co-Marketing Fees.

Co-Marketing Fees for Initial Term: Twenty Thousand Dollars (\$20,000).

For the Initial Term, Palm will invoice YP.net \$20,000 upon execution of the Agreement and payment will be due within thirty (30) days. For terms following the Initial Term, the Co-Marketing Fees shall be payable to Palm and Palm will invoice YP.net for payment on the anniversary of the term. Payment will be due thirty (30) days following receipt of the invoice.

Palm Obligations.

1. Placement on the Product: Palm will put the test for the Company Link

(and if Palm decides in its sole discretion to include a graphic icons, a graphic icon of Company's will be displayed) on the Product in any position from 1 to 5 on the palm portal page, or compatible, at Palm's sole discretion.

2. Palm Endorsements on the Company Site:

Company may use the Palm Mark on the Company Site to promote the Product or the Company Services, subject to the trademark license set forth in Section 6 of this Agreement.

C. Company Obligations.

1. Internet Promotion: YP.Net will place a graphical link to Palm's

website on its www.yip.net Homepage for the Term of this Agreement. The graphic will be no more than 50 pixels by 50 pixels and appear upon first load in the browser when the yip.net Homepage is launched. The graphic and url link will be provided by Palm.

2. Banner Ad: YP.Net will feature a 280 x 80 Palm Banner Ad in rotation

throughout the www.yip.net site. The banner ad will part of a rotating group of no more than 9 other ads. The Pam Banner Ad will appear above the fold upon first load in the browser without scrolling when the yip.net page is launched and viewed at an 800x600 pixel resolution. YP.net will serve at least twenty-two (22) million impressions of the Palm Banner Ad during each year of the Term of this Agreement. The Palm Banner Ad and url ink will be provided by Palm. In

the event of any deficiency in impressions, Company shall pay to Palm 50 cents for each thousand ads not served. YP.net shall provide Palm with a report within thirty (30) days of each year of the Term showing ad impressions served, any deficiency therein, and of there is a deficiency, shall remit payment to Palm within 30 days of the report.

[GRAPHIC OMITTED] PIKE STREET

INSERTION ORDER

Date: May 12, 2003

Company Name: Pike Street Industries, Inc.

URL: yellow.com, whiteyellowpages.com, isleuth.com

Address: 11101 NE 8th St., Suite 206
Bellevue, WA 98004

Contact Name: Edward Yim Email: Edward@pikestreet.com

Phone Number: 425-450-0555 Fax Number: 425-696-0333

ADVERTISER NAME: YP.NET, INC.

Address: 840 E. Jasmine Street
Suite 105
Mesa, AZ 85205

Contact Name: Joseph Johnson Email: jjohnson@yp.net

Phone Number: (480) 325-4301 Fax Number:

CAMPAIGN INFORMATION

Campaign Name: YP.net

Projected Start Date: March 27th, 2003 Projected End Date: none

[] Until budget is exhausted [X] Open Order

DESCRIPTION OF INVENTORY TO BE ADVERTISED:

YP.net provides online yellow pages listings for business in the US. YP.net will be added to the list of online yellow pages on Pike Street Industries, Inc's websites allowing Pike Street's visitors to search on YP.net's yellow page listings.

PAYMENT INFORMATION

Payments should be made to:

Pike Street Industries, Inc.
11101 NE 8th St.
Suite 206
Bellevue, WA 98004

Budget \$20,000.00 per month Clicks: 400,000 Net CPCV: \$.05

Terms: Due before advertising beings. All payments made in US dollars.

Conditions: Either Party can terminate this agreement with thirty (30) days written notice for any reason.

REPORTING INFORMATION

Report to, if Different from Above:

Report Frequency: [] monthly [] bi-weekly [X] weekly

AUTHORIZATION:

Pike Industries, Inc.

YP.net, Inc.

BY:

BY:

/s/ Edward Yim

/s/ Joseph Johnson

Name: Edward Yim

Name: Joseph Johnson

Title: President

Title: Agent

Date: May 12, 2003

Date: May 12, 2003

PROMISSORY NOTE

<C>	<C>	<C>	<C>	<C>	<C>	<S>	<C>
Principal	Loan Date	Maturity	Loan No.	Call/Coll	Account	Officer	Initials
\$250,000.00	05-02-2003	05-02-2004	51326			BAC	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Any item above containing "****" has been omitted due to test length limitations.

<S>	<C>	<C>
Borrower:	YP.Net, Inc.	Lender: Bank of the Southwest
	4840 East Jasmine Street Suite #105	7910 South Kyrene Road, Suite 108
	Mesa, AZ 85202	Tempe, AZ 85284

Principal Amount: \$250,000.00 Initial Rate: 4.750% Date of Note: May 2, 2003

PROMISE TO PAY. YP.Net, Inc. ("Borrower") promises to pay to Bank of the Southwest ("Lender"), or order, in lawful money of the United States of America, the principal amount of Two Hundred Fifty Thousand & 00/100 Dollars (\$250,000.00) or so much as may be outstanding, together with Interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on May 2, 2004. In addition, Borrower will pay regular monthly payments of all accrued unpaid Interest due as of each payment date, beginning June 2, 2003, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges. The annual Interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual Interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. The Interest rate on this Note is subject to change from time to time based on changes in an independent index which is the highest base rate on corporate loans posted by at least 75% of the nation's 30 largest banks that The Wall Street Journal publishes as the Prime Rate (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan. Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request, the interest rate change will not occur more often than each day. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 4.250% per annum. The Interest rate to off applied to the unpaid principal balance of this Note will be at a rate of 0.500 percentage points over the Index, resulting in an initial rate of 4.750% per annum, NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

EFFECTIVE RATE. Borrower agrees to an effective rate of interest that is the rate specified in this Note plus any additional rate resulting from any other charges in the nature of interest paid or to be paid in connection with this Note.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed

earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Bank of the Southwest, 7910 South Kyrene Road, Suite 106, Tempe, AZ 85284. LATE CHARGE. If a payment is 11 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$25.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity. Lender, at its option, may, if permitted under applicable law, Increase the variable interest rate on this Note to 6.500 percentage points over the Index, The interest rate will riot exceed the maximum rate permitted by applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default, Borrower fails to make any payment when due under this Note:

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter,

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or Insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and If Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, In an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change in Ownership. N/A

A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or Performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. However, Borrower will only pay attorneys' fees of an attorney not lender's salaried employee, to whom the matter is referred after Borrower's default. If not prohibited by applicable law. Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of Arizona. This Note has been accepted by Lender in the State of Arizona.

CHOICE OF VENUE. If there is a lawsuit, Borrower agreed upon Lender's request to submit to the jurisdiction of the courts of Maricopa County, State of Arizona.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law. Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

COLLATERAL. This loan is unsecured.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note may be requested either orally or in writing by Borrower or as provided in this paragraph. All oral requests shall be confirmed in writing on the day of the request, on forms acceptable to Lender. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. The following persons currently are authorized to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of their authority: Angela Tullo, Chairman/President/CEO of YP.Net. Inc.; and David J. Iannini, Chief Financial Officer, Borrower agrees to be liable for all sums either; (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsement on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

ARBITRATION, Borrower and Lender agree that all disputes, claims and controversies between them whether Individual, joint, or class in nature, arising from this Note or otherwise. Including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American

Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any collateral securing this Note shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property. Including taking or disposing of such property with or without judicial process pursuant to Article 3 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any collateral securing this Note, including any claim to rescind, reform, or otherwise modify any agreement relating to the collateral securing this Note, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Judgment upon any award rendered by any arbitrator may be entered in any court having Jurisdiction. Nothing in this Note shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs personal representatives, successors and assigns, and shall inure, to the benefit of Lender and Its successors and assigns,

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Please notify us if we report any inaccurate information about your accounts to a consumer reporting agency. Your written notice describing the specific inaccuracies should be sent to us at the following address: Bank of the Southwest 7910 South Kyrene Road, Suite 108 Tempe, AZ 85234

GENERAL PROVISIONS. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or Impair, fall to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PROMISSORY NOTE

Loan No: 51326

(Continued)

Page 3

PRIOR TO SIGNING THIS NOTE. BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS, BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

YP.NET, INC.

By: /s/ Angelo Tullo, pres.

Angelo Tullo, Chairman/President/CEO of YP.Net,
Inc.

CORPORATE RESOLUTION TO BORROW / GRANT COLLATERAL

<TABLE>

<CAPTION>

<C>	<C>	<C>	<C>	<C>	<C>	<S>	<C>
Principal	Loan Date	Maturity	Loan No.	Call/Coll	Account	Officer	Initials
\$250,000.00	05-02-2003	05-02-2004	51326			BAC	

</TABLE>

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Any item above containing "****" has been omitted due to test length limitations.

<TABLE>

<CAPTION>

<S>	<C>	<C>
Borrower:	YP.Net, Inc. 4840 East Jasmine Street Suite #105 Mesa, AZ 85202	Lender: Bank of the Southwest 7910 South Kyrene Road, Suite 108 Tempe, AZ 85284

</TABLE>

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

THE CORPORATION'S EXISTENCE. The complete and correct name of the Corporation is YP.Net, Inc. ("Corporation"). The Corporation is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Nevada. The Corporation is duly authorized to transact business in all other states in which the Corporation is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Corporation is doing business. Specifically, the Corporation is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Corporation has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Corporation maintains an office at 4840 East Jasmine Street Suite #105, Mesa, AZ 85202. Unless the Corporation has designated otherwise in writing, the principal office is the office at which the Corporation keeps its books and records. The Corporation will notify Lender prior to any change in the location of the Corporation's state of organization or any change in the Corporation's name. The Corporation shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Corporation and the Corporation's business activities.

RESOLUTIONS ADOPTED. At a meeting of the Directors of the Corporation, or if the Corporation is a close corporation having no Board of Directors then at a meeting of the Corporation's shareholders, duly called and held on May 2, 2004, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

OFFICER The following named parson is an officer of YP.Net, Inc.:

NAMES	TITLES	AUTHORIZED	ACTUAL SIGNATURES
Angelo Tullo	Chairman/President/CEO	Y	X /s/ Angelo Tullo, chairman

ACTIONS AUTHORIZED. The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Corporation. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Corporation:

Borrow Money. To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Corporation and Lender, such sum or sums of money as in his or her judgment should be

borrowed, without limitation.

Execute Notes. To execute and deliver to Lender the promissory note or notes, or other evidence of the Corporation's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Corporation's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

Grant Security. To mortgage, pledge, transfer, endorser, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an Interest, Including without limitation all real property and all personal property (tangible or Intangible) of the Corporation, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further Indebtedness of the Corporation to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

Execute Security Documents. To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances. Deposit Accounts. To open one or more depository accounts in the Corporation's name and sign and deliver all documents or items required to fulfill the conditions of all banking business, including without limitation the initiation of wire transfers, until authority is revoked by action of the Corporation on written notice to Lender.

Negotiate Items. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Corporation's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under Such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, including agreements requiring disputes with Lender to be submitted to binding arbitration for final resolution, as the officer may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

ASSUMED BUSINESS NAMES. The Corporation has filed or recorded all documents or filings required by law relating to all assumed business names used by the Corporation. Excluding the name of the Corporation, the following is a complete list of all assumed business names under which the Corporation does business: None.

NOTICES TO LENDER. The Corporation will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Corporation's name; (B) change in the Corporation's assumed

business name(s); (C) change in the management of the Corporation; (D) change in the authorized signer(s); (E) change in the Corporation's principal office address; (F) change in the Corporation's state of organization; (G) conversion of the Corporation to a new or different type of business entity; or (H) change in any other aspect of the Corporation that directly or indirectly relates to any agreements between the Corporation and Lender. No change in the Corporation's name or state of organization will take effect until after Lender has received notice

CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS. The officer named above is duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupies the position set opposite his or her respective name. This Resolution now stands of record on the books of the Corporation, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

NO CORPORATE SEAL. The Corporation has no corporate seal, and therefore, no seal is affixed to this Resolution.

CONTINUING VALIDITY. Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender \$t Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice not affect any of the Corporation's agreements or commitments In effect at the time notice is given.

IN TESTIMONY WHEREOF, I HAVE HEREUNDER

I have read all the provision; of this Resolution and on behalf of the Corporation certify that all statements and representations made in this Resolution are true and correct. Resolution to Borrow / Grant Collateral is dated May 2, 2004.

CERTIFIES TO AND ATTESTED BY:

X /s/ Angelo Tullo, chairman

ANGELO TULLO, CHAIRMAN/PRESIDENT/CEO

NOTE: if the officer signing this Resolution is designated by the foregoing document as one of the officers authorized to act on the Corporation's behalf. It is advised to have this Resolution signed by at least one non-authorized officer of the Corporation.

BUSINESS LOAN AGREEMENT

<TABLE>
<CAPTION>
<C> <C> <C> <C> <C> <C> <S> <C>
Principal Loan Date Maturity Loan No. Call/Coll Account Officer Initials
\$250,000.00 05-02-2003 05-02-2004 51326 BAC
</TABLE>

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Any item above containing "****" has been omitted due to test length limitations.

<TABLE>
<CAPTION>
<S> <C> <C>
Borrower: YP.Net, Inc. Lender: Bank of the Southwest
4840 East Jasmine Street Suite #105 7910 South Kyrene Road, Suite 108

</TABLE>

=====

THIS BUSINESS LOAN AGREEMENT DATED MAY 2, 2003, IS MADE FIND EXECUTED BETWEEN VP.NET, INC. ("BORROWER") AND BANK OF THE SOUTHWEST ("LENDER") ON THE FOLLOWING TERMS AND CONDITIONS. BORROWER HAS RECEIVED PRIOR COMMERCIAL BANS FROM LENDER OR HAS APPLIED TO LENDER FOR A COMMERCIAL BAN OR LOANS OR OTHER FINANCIAL ACCOMMODATIONS, INCLUDING THOSE WHICH MAY BE DESCRIBED ON ANY EXHIBIT OR SCHEDULE ATTACHED TO THIS AGREEMENT ("LOAN"). BORROWER UNDERSTANDS AND AGREES THAT: (A) IN GRANTING, RENEWING, OR EXTENDING ANY LOAN, LENDER IS RELYING UPON BORROWER'S REPRESENTATIONS, WARRANTIES,, AND AGREEMENTS AS SET FORTH IN THIS AGREEMENT; (B) THE GRANTING, RENEWING, OR EXTENDING OF ANY LOAN BY LENDER AT ALL TIMES SHALL BE SUBJECT TO LENDER'S SOLE JUDGMENT AND DISCRETION; AND (C) ALL SUCH LOANS SHALL BE AND REMAIN SUBJECT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT.

TERM. This Agreement shall be effective as of May 2,2003, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until May 2, 2004.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan; (1) the Note; (2) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents, in addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or Its counsel, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any indebtedness exists:

Organization. Borrower is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Nevada. Borrower is duly authorized to transact business in Borrower maintains an office at 4640 East Jasmine Street Suite #105, Mesa, AZ 85202. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name.

Assumed Business Names. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: None.

Authorization. Borrower's execution, delivery, and performance of this

Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of Borrower's articles of incorporation or organization, or bylaws, or any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties,

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all liens and security interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with accounting principles acceptable to Lender, applied on a consistent basis, and permit Lender to Examine and audit Borrower's books and record at all reasonable times.

Financial Statements. Furnish Lender with the following:

Additional Requirements.

1. Submission of annual report 30 days prior to renewal,
2. Copy of quarterly filings to the SEC including all financials.

All financial reports required to be provided under this Agreement shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Changes and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments,

BUSINESS LOAN AGREEMENT

LOAN NO: 51326

(CONTINUED)

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taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits, Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive end management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Compliance with Governmental Requirements. Comply with oil laws,

ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion. Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan of Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party and permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or If Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, to the extent permitted by applicable law on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens. (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as Permitted Liens), or (3) sell with recourse any of Borrower's accounts, except to Lender.

Continuity of Operation. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) pay any dividends on Borrower's stock (other than dividends payable in its stock, provided, however that notwithstanding the foregoing, but only so long as no Event of Default has occurred and is continuing or would result from the payment of dividends, if Borrower is a "Subchapter S Corporation" (as defined in the Internal Revenue Code of 1986 as amended), Borrower may pay cash dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter S Corporation because of their ownership of shares of Borrower's stock or purchase or retire any of Borrower's outstanding shares or alter or amend Borrower's capital structure.

Loans, Acquisitions and Guaranties. (1) Loan, invest in or advance money or

assets, (2) purchase, create or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surety or guarantor other than in the ordinary course of business.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan advances or to disburse Loan proceeds if; (A) Borrower or any guarantor is in default under the terms of this Agreement or any other agreement that Borrower or any guarantor has with Lender; (B) Borrower or any guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or Is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any guarantor, or In the value of any collateral securing any Loan; or (D) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guaranty of the Loan or any other loan with Lender; or (E) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred,

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and alt accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Loan.

Other Default. Borrower fails to comply with any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents.

Default In Favor of Third Parties. Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay the Loans or perform Borrower's obligations under this Agreement or any related document.

False Statements. Any representation or statement made by Borrower to Lender is false in any material respect.

INSOLVENCY, The dissolution or termination OF Borrower's EXISTENCE as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the

BUSINESS LOAN AGREEMENT
(CONTINUED)

LOAN NO: 51326

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commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Change in Ownership. Any change in ownership of twenty-five percent (25) or more of the common stock of Borrower. Insecurity, Lender i good faith

believes itself insecure.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement immediately will terminate [Including "any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, nil without notice of any kind to Borrower, except that, in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare default and to exercise its rights and remedies.

ARBITRATION. BORROWER AND LENDER AGREE THAT ALL DISPUTES, CLAIMS AND CONTROVERSIES BETWEEN THEM WHETHER INDIVIDUAL, JOINT, OR CLASS IN NATURE, ARISING FROM THIS AGREEMENT OR OTHERWISE, INCLUDING WITHOUT LIMITATION CONTRACT AND TORT DISPUTES, SHALL BE ARBITRATED PURSUANT TO THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION IN EFFECT AT THE TIME THE CLAIM IS FILED, UPON REQUEST OF EITHER PARTY. NO ACT TO TAKE OR DISPOSE OF ANY COLLATERAL SHALL CONSTITUTE A WAIVER OF THIS ARBITRATION AGREEMENT OR BE PROHIBITED BY THIS ARBITRATION AGREEMENT. THIS INCLUDES, WITHOUT LIMITATION, OBTAINING INJUNCTIVE RELIEF OR A TEMPORARY RESTRAINING ORDER; INVOKING A POWER OF SALE UNDER ANY DEED OF TRUST OR MORTGAGE; OBTAINING A WRIT OF ATTACHMENT OR IMPOSITION OF A RECEIVER; OR EXERCISING ANY RIGHT* RELATING TO PERSONAL PROPERTY, INCLUDING TAKING OR DISPOSING OF SUCH PROPERTY WITH OR WITHOUT JUDICIAL PROCESS PURSUANT TO ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE. ANY DISPUTES, CLAIMS, OR CONTROVERSIES CONCERNING THE LAWFULNESS OR REASONABLENESS OF ANY ACT, OR EXERCISE OF ANY RIGHT, CONCERNING ANY COLLATERAL, INCLUDING ANY CLAIM TO RESCIND, REFORM, OR OTHERWISE MODIFY ANY AGREEMENT RELATING TO THE COLLATERAL, SHALL ALSO BE ARBITRATED, PROVIDED HOWEVER THAT NO ARBITRATOR SHALL HAVE THE RIGHT OR THE POWER TO ENJOIN OR RESTRAIN ANY ACT OF ANY PARTY. JUDGMENT UPON ANY AWARD RENDERED BY ANY ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. NOTHING IN THIS AGREEMENT SHALL PRECLUDE ANY PARTY FROM SEEKING EQUITABLE RELIEF FROM A COURT OF COMPETENT JURISDICTION. THE STATUTE OF LIMITATIONS, ESTOPPEL, WAIVER, LACHES, AND SIMILAR DOCTRINES WHICH WOULD OTHERWISE BE APPLICABLE IN AN ACTION BROUGHT BY A PARTY SHALL BE APPLICABLE IN ANY ARBITRATION PROCEEDING, AND THE COMMENCEMENT OF AN ARBITRATION PROCEEDING SHALL BE DEEMED THE COMMENCEMENT OF AN ACTION FOR THESE PURPOSES. THE FEDERAL ARBITRATION ACT SHALL APPLY TO THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT OF THIS ARBITRATION PROVISION.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means YP.Net, Inc., and all other persons and entities signing the Note in whatever capacity.

Collateral. The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral

mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise. Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement In the default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Grantor. The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such g Security Interest. Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note. Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents. Lender. The word "Lender" means Bank of the Southwest, its successors and assigns.

Loan. The word "Loan" means any and all bans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, Including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Note. The word "Note" means the Mote executed by YP.Net, Inc. In the principal amount of \$350,000.00 dated May 2, 2003, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Permitted Liens. The words "Permitted Liens" mean (1) liens and security interests securing Indebtedness owed by Borrower to Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent. (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the

BUSINESS LOAN AGREEMENT

LOAN NO: 51326

(CONTINUED)

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ordinary course of business to secure indebtedness outstanding on this date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (5) liens and security interests which, as of the date of this Agreement have been disclosed W and approved by the Lender in writing; and |6| those liens and security Interests which in the aggregate constitute an immaterial and insignificant monetary amount with reaped to the net value of Borrower's assets.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS, THIS BUSINESS LOAN AGREEMENT IS DATED MAY 2, 2003.

BORROWER:

YP.NET, INC.

BY: /s/ Angelo Tullo, chairman

ANGELO TULLO, CHAIRMAN/PRESIDENT/CEO OF YP.NET,
INC.

BANK OF THE SOUTHWEST

BY: /s/

AUTHORIZED SIGNER

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DUSBURSEMENT REQUEST AND AUTHORIZATION

<TABLE>
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<C>	<C>	<C>	<C>	<C>	<C>	<S>	<C>
Principal	Loan Date	Maturity	Loan No.	Call/Coll	Account	Officer	Initials
\$250,000.00	05-02-2003	05-02-2004	51326			BAC	

</TABLE>

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Any item above containing "****" has been omitted due to test length limitations.

<TABLE>
<CAPTION>

<S>	<C>	<C>
Borrower:	YP.Net, Inc. 4840 East Jasmine Street Suite #105 Mesa, AZ 85202	Lender: Bank of the Southwest 7910 South Kyrene Road, Suite 108 Tempe, AZ 85284

</TABLE>

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LOAN TYPE. This is a Variable Rate Nondisclosable Revolving Line of Credit Loan to a Corporation for \$250,000.00 due on May 2, 2004, The reference rate (highest base rate on corporate loans posted by at least 75% of the nation's 30 latest banks that The Wall Street Journal publishes as the Prime Rate, currently 4.250%) is added to the margin of 0.500%, resulting in an initial rate of 4.750.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, of Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: Working capital.

DISSURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$250,000.00 as follows:

Undisbursed Funds:	\$249,750.00
Other Disbursements:	\$250.00
\$250.00 Documentation Fee	
Due Lender From Loan Proceeds	

Note Principal:	\$250,000.00

CHARGES PAID IN CASH. Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid In Cash:	\$0.00
Other Charges Paid In Cash:	\$250.00
\$ 250.00 Documentation Fee	

Total Charges Paid in Cash:

\$250.00

FINANCIAL CONDITION BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED MAY 2, 2003.

YP.NET, INC.

BY: /s/ Angelo Tullo, chairman

ANGELO TULLO, CHAIRMAN/PRESIDENT/CEO OF YP.NET,
INC.

=====

SWITCHBOARD SERVICES AGREEMENT

THIS SWITCHBOARD SERVICES AGREEMENT (the "Agreement") is made and entered into as of this 1st day of April, 2003 (the "Effective Date") by and between Switchboard

Incorporated, a Delaware corporation having its principal place of business at 120 Flanders Road, Westboro, MA 01581 ("Switchboard"), and YP.Net, Inc. a Nevada corporation having its principal place of business at 4840 E. Jasmine #110, Mesa, Arizona 85205 ("YP.Net").

WHEREAS, Switchboard operates an online, interactive yellow pages directory service (the "Switchboard Yellow Pages Services," as further defined herein) accessible via the Internet at www.switchboard.com, as such web site may be

modified during the Term of this Agreement, or any successor site thereto as may be designated by Switchboard and approved by YP.Net from time to time; which approval shall not be unreasonably withheld (the "Switchboard Site"); and

WHEREAS, through the Switchboard Site and other means, Switchboard offers to merchants a variety of Internet advertising services ("Directory Ads," as further defined herein); and

WHEREAS, YP.Net owns and operates an online yellow pages directory service accessible via the Internet at www.ypNet.net (and accessible through other

forwarded urls including www.Yellow-Page.Net) as such web site may be modified

during the Term of this Agreement or any successor site thereto as may be designated by YP.Net and approved by Switchboard from time to time, which approval shall not be unreasonably withheld (the "YP.Net Site"); and

WHEREAS, through the YP.Net Site and other means, YP.Net offers to its merchant customers ("YP.Net Merchants," as further defined herein) certain Internet advertising services; and

WHEREAS, YP.Net desires to market, promote, offer, provide and/or sell to YP.Net Merchants the Directory Ads, as provided herein; and

WHEREAS, Switchboard desires to expand its base of Directory Ad subscribers through this Agreement, pursuant to which YP.Net may market, promote, provide, offer and sell the Switchboard Directory Ads to YP.Net's merchant customers through sales efforts by YP.Net's sales force, through YP.Net's telemarketing efforts and through other means as described herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Switchboard and YP.Net agree as follows:

1.0 TERMS AND CONDITIONS

The terms and conditions set forth in the following Schedules (and the Exhibits thereto) are attached hereto and incorporated herein by reference, and shall govern the provision of such Switchboard Directory Ads:

- SCHEDULE A SWITCHBOARD DIRECTORY ADS
- SCHEDULE B GENERAL TERMS AND CONDITIONS

IN WITNESS WHEREOF, Switchboard and YP.Net have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

SWITCHBOARD INCORPORATED YP.NET DIRECTORIES, INC.

By: /s/ Mark Canon By: /s/ Debra Johnson

Name: Mark Canon Name: Debra Johnson

SCHEDULE A

SWITCHBOARD DIRECTORY ADS

1.0 DEFINITIONS

"Directory Ad" shall mean an advertisement to be sold and or provided by YP.Net

to YP.Net Merchants hereunder, for display in the "Featured Listing" section (sometimes referred to as "Local Advertiser" section) or comparable area of the Switchboard Yellow Pages Service displayed in all cases before the "All Businesses", or Free Listing Section; which may be hyperlinked to a web site of a YP.Net Merchant; which shall be searchable by such criteria as category and geographic locations, and by business attributes that are provided; with placement in one (1) Yellow Pages category; and shall appear when the respective YP.Net Merchant's location is within the city or town specified in the User query. Directory Ads shall appear when the respective advertiser's listing results is shown within the category search, proximity search and business name search, if applicable, in the Switchboard Yellow Pages Service. Additional functions and features, including size of Directory Ads and quantity of enhanced data attributes displayed in the ads shall be subject to Switchboard's determination and subject to such modifications to such advertisements as Switchboard may implement from time to time, but shall be no less than other Directory Ads in the same section. Directory Ads sold and or placed by YP.Net pursuant to this Agreement shall be distributed and displayed through the Switchboard Site, and also through such Switchboard Affiliated Sites that display enhanced directory content as may be determined by Switchboard. Directory ads shall appear in the form of a business Featured Listing, including business name, business address, business telephone number, and optional Directory elements such as web site address, e-mail address, toll free numbers, fax number, one (1) line of promotional text to appear under the business name, hours of operation, Enhanced Data, and may include a link to a "mini Web Page" service hosted by YP.net, with placement in the Featured Listing section of the Yellow Pages results screen, substantially as depicted in the screen shot attached hereto as EXHIBIT "A".

"Directory Ad Management Tool" shall mean Switchboard's proprietary online Order

insertion tool to which YP.Net will be granted access for the purpose of creating and managing Directory Ads hereunder, and YP.Net's use of which shall be solely pursuant to the terms and conditions of Switchboard's or its licensor's standard terms of use for such Tool.

"Order" shall mean a YP.Net Merchant's order to obtain a Switchboard Directory

Ad that is generated pursuant to YP.Net's Marketing Efforts established hereunder.

"Switchboard Affiliated Sites" shall mean third party web sites linking to and

displaying content from the Switchboard Site through private label, co-branded, or sub-branded interfaces or otherwise pursuant to written agreements with Switchboard.

businesses and other entities located in the United States, such as names, addresses, telephone numbers, and advertisements, as such service may be modified from time to time during the Term.

"YP.Net Merchant" shall mean merchant customers of YP.Net, to which YP.Net may

market, promote, provide, offer and or sell Switchboard Directory Ads as provided herein; however YP.Net may not intentionally market, promote, provide, offer or sell to YP.Net merchants that are also existing Switchboard Directory Ad customers.

"YP.Net Merchant Content" shall mean such trademarks, trade names, service

marks, logos, advertising collateral and other content or materials provided by YP.Net or their Merchants for the creation of Directory Ads hereunder.

2.0 PROMOTION AND SALE OF SWITCHBOARD DIRECTORY ADS

2.1 Right to Market and Sell Directory Ads. During the Term, YP.Net shall

have the non-exclusive, non-assignable (except as provided in Section 11.1 of SCHEDULE B attached hereto) right to independently solicit, enter into agreements with and or provide YP.Net Merchants which result in such YP.Net Merchants receiving the benefit of the YP.Net purchased Directory Ads from Switchboard. YP.Net shall not misrepresent to any YP.Net Merchant the operation and functions of the Directory Ads. Notwithstanding the foregoing, Switchboard shall reframe itself, and its contractors, agents, represents and other third parties engaged for that purpose from intentionally soliciting orders from YP.Net Merchants, for Directory Ads.

2.2 Marketing Effort. Throughout the Term, YP.Net shall use commercially

reasonable efforts to market, promote, offer and sell the Directory Ads through the YP.Net Site, YP.Net's sales force, telemarketing efforts, direct mail and/or such other methods as the parties may mutually agree upon from time to time during the Term (the "Marketing Efforts"). In no event, however, shall YP.Net knowingly market, promote, provide, offer sell Directory Ads to existing Switchboard Directory Ad customers. In the event that it is discovered that YP.Net has placed an Order that involves an existing Switchboard Directory Ad customer, such Order shall be cancelled and removed immediately.

2.3 Miscellaneous. Switchboard shall provide YP.Net with such technical

specifications, documentation and such other information and assistance as may be reasonable necessary to assist YP.Net with the Marketing Effort, including necessary and sufficient documentation for YP.Net to accurately represent to each YP.Net Merchant the operation and functions of the Switchboard Directory Ads as required by Section 2.1, above.

3.0 ORDERS FOR SWITCHBOARD DIRECTORY ADS; GENERAL

3.1 Advertising Content Policy. All orders for Switchboard Directory Ad

Orders generated by YP.Net are subject to acceptance by Switchboard. Switchboard reserves the right, in its reasonable discretion, to reject any Order that is, or contains a link to any content that is, offensive, defamatory, indecent, obscene, trade libelous, threatening or harassing, harmful to minors, child pornographic or that contains illegal content as defined by applicable federal, state, county and local laws, or that may violate Switchboard's Content Policy, as the same may be modified or updated by Switchboard from time to time, the current version of which is set forth in EXHIBIT B attached hereto.

Switchboard shall notify YP.Net of any Order so rejected within five (5) business days of such rejection. YP.Net shall have the option to remedy the rejected Order with a substitute Order that complies with the standards set forth in this Section 3.1. Any substitute Orders placed by YP.Net shall be subject to further review by Switchboard as provided in this Section 3.1.

3.2 Customer Support. Through the use of the Directory Ad Management Tool

or such other means as YP. Net may determine, YP.Net shall be responsible for handling and responding to all YP.Net Merchant inquiries relating to Orders for Directory Ads sold pursuant to this Agreement.

3.3 Payment of Invoices. Switchboard invoices for Orders shall be paid by

YP.Net within thirty (30) days of the date of invoice. Invoices not paid within such period shall be subject to a late payment charge of 1.5% per month (or the maximum rate permitted by law, whichever is lower) on the outstanding balances thereof, accruing from the due date. Payment of a late payment charge by YP.Net shall not affect any other remedy available to Switchboard. In the event an invoice by Switchboard to YP.Net remains

unpaid, in whole or in part, for a period of sixty (60) days past its due date, Switchboard may, at its option and in addition to any right or remedy available to Switchboard under this Agreement, cancel any or all unpaid Orders submitted by YP.Net.

3.4 Taxes. Any pricing for Orders provided herein may not include any

applicable sales or use taxes that may be levied thereon. If applicable, the invoicing and collecting party shall, in addition to the payments required hereunder, pay all sales, use, transfer or other taxes, whether federal, state or local, however designated, which are levied or imposed on an Order, excluding however designated, which are levied or imposed on an Order, excluding however, income taxes on profits which may be levied against the other party. The invoicing and collecting party shall be responsible for providing, in a timely manner, all reasonable documentation in the nature of exemption certificates or otherwise, necessary to allow the other party to refrain from collections such as sales tax, that it would otherwise be obligated to make.

4.0 ORDERS FOR DIRECTORY ADS

4.1 Directory Ad Pricing. YP.Net shall be responsible for and shall have

sole discretion in determining the prices to be charged to YP.Net Merchants from time to time for Orders for Directory Ads placed hereunder (the "Directory Ad Pricing").

4.2 Contracts with YP.Net Merchants. YP.Net shall be solely responsible for

having each YP.Net Merchant execute any necessary written agreement (or an enforceable equivalent) permitting the placement of a Directory Ad Order hereunder which, when executed, shall be a contract between YP.Net and the respective YP.Net Merchant. YP.Net hereby grants to Switchboard (and all Directory Ad agreements between YP.Net and YP.Net Merchants shall include) a worldwide, non-exclusive license and right to copy, display, transmit, and publish the Directory Ads, including all YP.Net Merchant Content, submitted to Switchboard hereunder, for display to users of the Switchboard Site and the Switchboard Affiliated Sites. The following provisions shall apply to all Directory Ad Orders:

SWITCHBOARD'S SOLE OBLIGATION TO YP.NET OR TO YP.NET MERCHANTS WITH RESPECT TO ANY ERROR OR OMISSION RELATING TO THE ACCEPTANCE OF ANY ORDER AND PUBLICATION OF ANY CONTENT THEREING SPECIFIED, INCLUDING THE PROVISION OF ANY REPORT OR CATEGORY LISTINGS, SHALL BE THE CORRECTION OF SUCH ERROR OR OMISSION.

SWITCHBOARD RESERVES THE RIGHT TO REFUSE OR TO CANCEL PUBLICATION OF THE CONTENT OF ANY ORDER FOR DEFAULT BY YP.NET UNDER YP.NET'S AGREEMENT WITH SWITCHBOARD.

4.3 Insertion and Submission of Orders. Directory Ad Orders shall be

inserted and/or submitted by YP.Net directly through the use of the Directory Ad Management Tool or by the transfer of such listing data and elements to Switchboard, also through the Directory Ad Management Tool, in a database format outlined in the Merchant Management Tool User's Guide, for batch Directory Ad insertion and or removal at yp.net discretion. YP.Net shall be solely responsible for correcting any Directory Ads which are excepted (that is, do not match exactly with Switchboard listing information for the same merchant) during the initial database load and any subsequent loadings.

4.4 Placement and Hosting of Directory Ads. YP.Net shall ensure that each

Directory Ad is correctly placed within the applicable Yellow Pages category. If, in Switchboards; reasonable judgment, a Directory Ad is not correctly placed YP.Net shall, upon notice form Switchboard, replace such Directory Ad to the correct category or categories. Switchboard shall maintain and control the Switchboard Yellow Pages Service. All Directory Ads placed hereunder shall be hosted on Switchboard's servers.

4.5 Directory Ad Management Tool License, Training and Support. Switchboard

will provide YP.Net with a single session of telephone training or on-line training on the use of the Directory Ad Management Tool, no to exceed training for two (2) individuals or four (4) total hours of training each year during the Term of this Agreement, or for such additional number of people and with such other scheduling at Switchboard may agree upon in its reasonable discretion. To assist YP.Net with any questions on the use of the Directory Ad Management Tool, Switchboard will provide support, via e-mail, as outlined in the Merchant Management Tool User's Guide. Switchboard hereby grants to the YP.Net a non-exclusive, royalty free, object code only license to use the Directory Ad Management Tool solely for the purposes of this Agreement and solely pursuant to Switchboard's or its licensor's terms of use for the Tool.

4.6 Merchant Invoices and Collection. YP.Net shall be solely responsible

for invoicing and collecting all Directory Ad Pricing from YP.Net Merchants with respect to Orders hereunder.

4.7 Directory Ad Hosting Fees. Commencing as of the Effective Date, YP.Net

shall pay Switchboard a guaranteed monthly fee of twenty thousand dollars (\$20,000) for up to 250,000 Directory Ad Orders in place, and additional fees for any additional Directory Ad Orders (the "Directory Ad Hosting Fees"), as follows:

<TABLE>

<CAPTION>

NUMBER OF DIRECTROY ADS

DIRECTORY AD HOSTING FEE

HOSTED DURING THE MONTH

<S>

<C>

YP.Net shall pay a guaranteed minimum monthly Hosting Fee of \$20,000, whether all 250,000 Directory Ads are used or not. Such guaranteed minimum Hosting Fee shall be invoiced by Switchboard as the first day of each month.

Between 0 and 250,000 Directory Ads

An additional Hosting Fee of \$0.08 per Directory Ad per month. Such additional Hosting Fees shall be invoiced by Switchboard in the month following the month in which such additional Hosting Fees are accrued.

For additional Directory Ads in excess Of 250,000
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Such Directory Ad Hosting Fees shall apply to each Directory Ad as of the date of its creation as provided herein until its deletion. Such Directory Hosing Ad Fees shall be due and payable as provided in Section 3.3 above, Each invoice shall be categorized by YP.Net Merchant.

4.8 Directory Ad Terms. Each Directory Ad place hereunder and outstanding

at the time of the expiration or termination of this Agreement shall be removed and deleted from the Switchboard Yellow Pages Service of the Switchboard Site and Switchboard Affiliated Sites at the time of such expiration or termination.

SCHEDULE B

GENERAL TERMS AND CONDITIONS

1.0 DEFINITIONS

"Term" shall have the meaning set forth in Section 9.0 hereof.

Capitalized terms not defined in this Schedule B but used herein shall have the meaning ascribed to them elsewhere within this Agreement.

2.0 EXCLUSIVITY

2.1 No Exclusivity Provided by Switchboard. YP.Net acknowledges and agrees

that Switchboard may contract with other marketing representatives or any third party with respect to the marketing, promoting, offering or selling of any of the Switchboard Directory Ads or services similar thereto, including without limitation competitors of YP.Net. In the case of a dispute YP.Net and other third party sellers of Switchboard Directory Ads involving overlapping or conflicting Orders with respect to the same merchant, the first Order submitted to and received by Switchboard shall be deemed the sole Order. Switchboard reserves the right to implement new sales channels using different terms and conditions, offer new and different products, subject to the terms of this Agreement, as Switchboard may deem necessary.

3.0 INTELLECTUAL PROPERTY

3.1 Technology. YP.Net acknowledges and agrees that Switchboard or its

licensors own all right, title, and interest in and to all patents, copyright, trademarks, trade secrets and other intellectual property rights in the Switchboard Site, the Switchboard Yellow Pages Serviced, and the Switchboard Directory Ads (excluding YP.Net Merchant Content), the Directory Ad Management Tool, and any software provided to YP.Net in connection with this Agreement. YP.Net shall take no action inconsistent with such ownership and shall not attempt to register any intellectual property described above in any jurisdiction. Similarly, Switchboard acknowledges and agrees that YP.Net or its licensors own all right, title, and interest in and to all patents, copyright, trademarks, trade secrets and other intellectual property rights in the Yp.Net Site. Switchboard shall take no action inconsistent with such ownership and shall not attempt to register any intellectual property described above in any jurisdiction.

3.2 Trademarks. Each party hereby grants to the other, for the terms of this

Agreement, a non-exclusive, royalty-free license to use any trademarks or logos provided to the other party, subject to the respective owner's prior approval and revisions in each instance, only for the purposes permitted by this Agreement and further subject to the respective owner's right to control the quality of any service

offered under its trademark or logo, such that the service meets the standards the public has come to associate with such party's trademarks and logos. Neither party, by virtue of this Agreement, shall obtain or claim any right, title, or interest in or to the other party's name, trademarks, service marks or logos, except the right of use as specified herein, and the parties hereby acknowledge and agree that all such use shall inure to the benefit of the respective owner.

3.3 Proprietary Notices. Neither party shall alter or remove any printed or

on-screen copyright, trademark, or other proprietary or legal notices place by the other party in its web site or as other wise provide herein.

3.4 Ownership and Use of User Data. As between the parties, Switchboard

shall be the sole and exclusive owner of all right, title and interest in any and all data compiled or obtained by either party in connection with the User's use of the Switchboard Site, the Switchboard Affiliated Sites and the Switchboard Yellow Pages Services as provided herein.

3.5 YP.Net Merchant Data. Each party will treat merchant data (that is,

information given by YP.Net Merchants in connection with placing Orders) provided by the other party or jointly collected ("YP.Net Merchant Data") strictly in accordance with all applicable laws, their respective terms of

use and privacy policies and with the same level of confidence that it treats its own merchant data. As between the parties, YP.Net Merchant Data and marketing methods, whether collected by YP.Net or Switchboard pursuant to the terms of this Agreement. Nothing in this Section 3.5 shall obligate either party to track, maintain or compile information that is not customarily tracked by such party in the ordinary course of its business.

4.0 PUBLICITY

Each party shall have the right to create and publish its own press release announcing the execution of this Agreement and the relationship between the parties established hereunder, subject to the prior written approval of the other party, which approval shall not be unreasonably withheld. The parties may, but shall not have the obligation to, create and publish a joint press release announcing the execution of this Agreement and the relationship between the parties. Each party shall have the right to publish any such initial press releases, or portions thereof, in trade publications, magazines and other publications of its choice. The parties agree that thereafter, except as otherwise mutually agreed, or as required by law, neither party shall make any written public statement, including without limitation in marketing materials or press releases, using the other party's trade name or trademarks or referring to this Agreement or the relationship created hereunder, without the prior approval of the other party, which approval shall not be unreasonably withheld. Switchboard and YP.Net will not disclose the material terms of this Agreement in any circumstance, unless

required by law. This provision shall not limit or prevent YP.Net from using or disclosing non-confidential information, such as the distribution that YP.Net Merchants will receive as a result of a purchasing Switchboard Directory Ads.

5.0 DISCLAIMER OF WARRANTIES

NEITHER PARTY MAKES ANY REPRESENTATIONS, WARRANTIES, OR GUARANTEES OF ANY KIND AS TO ANY MATTER, EITHER EXPRESS OR IMPLIED, WHICH ARE NOT EXPRESSLY MADE IN THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

6.0 CONFIDENTIALITY

6.1 Confidential Information. Notwithstanding any non-disclosure or

confidentiality agreement signed by the parties with respect to any initial discussions prior to the Effective Date, Switchboard and YP.Net each agrees and acknowledges that in order to further the performance of this Agreement, they may be required to disclose to each other certain confidential information, including but not limited to information concerning either party's online services and web sites, technology, software, tools, business, or plans and methods, financial information other confidential information, all of which shall be deemed "Confidential Information" for the purposes of this Section if, with the respect to such information disclosed in tangible form, it is marked "Confidential" or its equivalent, and, with respect to such information disclosed orally, it is identified as confidential at the time of disclosure. Marketing methods used by YP.Net in connection with the Marketing Efforts, and the results of the Marketing Efforts, as well as Merchant Data as provided in Section 3.5, above, shall be deemed the Confidential Information of YP.Net.

6.2 Protection of Confidential Information. During the term of this

Agreement and for a period of two years after the expiration or termination thereof, the receiving party agrees to protect the confidentiality of the disclosing party's Confidential Information with at least the same degree of care that it utilize with respect to its own similar proprietary information, but in no even less than a reasonable standard of care, including without limitation agreeing:

- a. Not to disclose or otherwise permit any other person or entity access to, in any manner, the Confidential Information, or any part thereof in any form whatsoever, except such disclosure or access shall be permitted to (i) an employee of the receiving party (or wholly owned

or wholly owing affiliated entity of the receiving party) requiring access to the Confidential Information in the course of his or her employment in connection with this

Agreement and who has signed an agreement obligating the employee to maintain the confidentiality of the confidential information of third parties in the receiving party's possession; or (ii) a director, legal advisor, or financial advisor of the recipient party hereunder, provided that such parties are bound to maintain the confidentiality of such information and provided further that they are permitted to use such Confidential Information only for the purposes of carrying out their fiduciary or other advisory responsibilities on behalf of the pry hereto from which it received such Confidential Information;

- b. To notify the disclosing party promptly and in writing of the circumstances surrounding any suspected possession, use or knowledge of the Confidential Information or any part thereof at any location or by any person or entity other than those authorized by this Agreement; and
- c. Not to use the Confidential Information for any purpose other than as explicitly set forth herein.

6.3 Exceptions. Nothing in this Section 6.0 shall restrict the receiving

party with respect to information or data, whether or not identical or similar to that contained in the Confidential Information, if such information or data: (a) was rightfully possessed by the receiving party before it was received from the disclosing party; (b) is independently developed by the receiving party without reference to the disclosing party's information or data; (c) is subsequently furnished to the receiving party by a third party not under any obligation of confidentiality with respect to such information or data, and without restrictions on use or disclosure; or (d) is or becomes public or available to the general public otherwise than through any act or default of the receiving party. Each party reserves to itself its proprietary marketing method rights.

7.0 INDEMNIFICATION

7.1 Indemnification by Switchboard. Switchboard shall indemnify, defend,

and hold YP.Net harmless from and against any and all losses, expensed, damages, liabilities, taxes, penalties, assessments, judgments, and costs (including reasonable attorneys' fees) (collectively, "Liabilities") arising out of any third party claims, actions or proceedings brought against YP.Net so far as same are based upon (i) a claim that all or any portion of or content within the Switchboard Site, the Switchboard Yellow Pages Services, the Directory Ads (excluding any YP.Net Merchant Content), the Directory Ad Management Tool, or any software provided by Switchboard to YP.net hereunder (in each case, in the form provided by Switchboard) infringes any U.S. patent, copyright, trade secret, trademark or other intellectual property right, or any other personal or property right, or (ii) a material breach by Switchboard of this Agreement; provided that YP.Net provides Switchboard with prompt written notice of any

claims and reasonable assistance and sole authority to defend or settle such claims. Switchboard shall have no

obligation pursuant to this Section 7.1 to the extent that such Liabilities arise out of the material breach, gross negligence or willful misconduct of YP.Net. If any portion of or content within the Switchboard Site, the Switchboard Yellow Pages Services, the Directory Ads (excluding any YP.Net Merchant Content), the Directory Ad Management Tool, or any software provided hereunder is, or in Switchboard's reasonable opinion is likely to become, the subject of an injunction preventing its use as contemplated herein, Switchboard may, at its option, (1) procure for YP.Net the right to continue using such software or services; (2) replace or modify such software or services so that it becomes non-infringing; or, if the remedies in (1) or (2) are not reasonably available to Switchboard despite Switchboard's commercially reasonable efforts, terminate YP.Net's right to use such software or services. This Section 7.1 set forth Switchboard's

sole liability and YP.Net's and the sole remedy with respect to any claims of intellectual property infringement relating to this Agreement.

7.2 Indemnification by YP.Net. YP.Net shall indemnify, defend, and hold

Switchboard harmless from and against any and all losses, expenses, damages, liabilities, taxes, penalties, assessments, judgments, and costs (including reasonable attorneys' fees) (collectively, "Liabilities") arising out of any third party claims, actions or proceedings brought against Switchboard so far as same are based upon (i) a claim that all or any portion of or content within the YP.Net Site or the YP.Net Merchant Content (in each case, in the form provided by YP.Net) infringes any U.S. patent, copyright, trade secret, trademark or other intellectual property right, or any other personal or property right, (ii) a material breach by YP.Net of this Agreement; provided that Switchboard

provides YP.Net with prompt written notice of any claims and reasonable assistance and sole authority to defend or settle such claims. YP.Net shall have no obligation pursuant to this Section 7.2 to the extent that such Liabilities arise out of the material breach, gross negligence or willful misconduct of Switchboard. This Section sets forth YP.Net's sole liability and Switchboard's sole remedy with respect to claims of intellectual property infringement relating to this Agreement.

8.0 LIMITATION OF LIABILITY

EXCEPT AS PROVIDED IN SECTION 6.0 (CONFIDENTIALITY) AND IN SECTION 7.0 (INDEMNIFICATION), IN NO EVENT SHALL EITHER PARTY HEREUNDER BE LIABLE TO THE OTHER, OR TO ANY PARTY CLAIMING THROUGH SUCH OTHER PARTY, FOR ANY CONSEQUENTIAL, INCIDENTAL, SPECIAL, OR INDIRECT DAMAGES, OR FOR ANY LOSS OF PROFITS OR SALES OR LOSS OF OR DAMAGE TO DATA, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, OR OTHERWISE, EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR LOSS.

EXCEPT AS PROVIDED IN SECTION 6.0 (CONFIDENTIALITY) AND SECTION 7.0 (INDEMNIFICATION), AND EXCEPT WITH RESPECT TO AMOUNTS OWED TO THE OTHER PARTY UNDER THE REVENUE SHARING PROVISIONS CONTAINED HEREIN, THE MAXIMUM LIABILITY OF EITHER PARTY HEREUNDER SHALL BE THE GREATER OF FIFTY THOUSAND DOLLARS (\$50,000) OR THE AGGREGATE AMOUNT RECEIVED BY SWITCHBOARD PURSUANT TO THIS AGREEMENT IN THE TWELVE (12) MONTH PERIOD PRIOR TO THE DATE UPON WHICH THE CAUSE OF ACTION AROSE.

9.0 TERM AND TERMINATION

9.1 Term; Renewal. This Agreement shall commence as of the Effective Date

and shall remain in full force and effect for an initial period of one (1) year (the "Initial Term") unless earlier terminated as provided herein. After the Initial Term, this Agreement shall renew for successive one (1) year periods (each a "Renewal Term"), unless either party provides notice of termination to the other party no later than thirty (30) days prior to the expiration of the then current Term. The Initial Term and any and all Renewal Terms shall be collectively referred to herein as the "Term."

9.2 Termination. This Agreement may be terminated prior to the expiration

of its term:

- a. By either party in the event the other party materially breaches this Agreement and the breaching party fails to cure such breach within thirty (30) days of written notice of such breach from the non-breaching party; or
- b. By either party immediately in the event any assignment is made by the other party for the benefit of creditors, or if a receiver, trustee in bankruptcy or similar officer shall be appointed to take charge of any or all of the other party's property, or if the other party files a voluntary petition under federal bankruptcy laws or similar state statutes or such a petition is filed against the other party and is not dismissed within ninety (90) days.

9.3 Return of Confidential and Proprietary Materials. In the event of

termination of this Agreement, each party shall immediately either (a) destroy and certify the same, or (b) return to the other party, all of the disclosing party's confidential or proprietary materials provided hereunder.

9.4 Fulfillment of Orders. Each Directory Ad placed hereunder and

outstanding at the time of such expiration or termination shall be removed and deleted from the Switchboard Yellow Pages Service of the Switchboard Site and Switchboard Affiliated Sites at the time of such expiration or termination.

10.0 NOTICES

Any notice or communication from one party to the other shall be in writing and either personally delivered or sent (a) via certified mail, postage prepaid and return receipt requested, (b) via overnight carrier with a national reputation which tracks receipt, or (c) via facsimile with confirmation sent via one of the other allowable means, in each case, addressed to such other party at the address specified below or such other address as either party may from time to time designate in writing to the other party. All notices shall be effective upon receipt.

If to Switchboard: Switchboard Incorporated
120 Flanders Road
Westboro, Massachusetts 01581
Fax: (508) 898-8222
Attn: President

With a copy to: Switchboard Incorporated
120 Flanders Road
Westboro, Massachusetts 01581
Fax: (508) 898-8222
Attn: General Counsel

If to YP.Net: YP.Net, Inc.
4840 E. Jasmine #110
Mesa, AZ 85205
Fax: 480-860-0800 &
Fax: 602-532-7813
Attn: Greg Crane

With a copy to: Law Offices of Lewis & Rocca, LLP
40 N. Central Ave.
Phoenix, AZ 85004
Fax: 602-734-3865
Attn: Randy Papetti

11.0 GENERAL PROVISIONS

11.1 Assignment. This Agreement and the rights and responsibilities

hereunder may not be assigned or otherwise transferred, in whole or in part, by either party without the prior written consent of the other, which shall not be unreasonably withheld, except that either party may assign this Agreement in its entirety to an entity purchasing all or substantially all of the equity or assets of such party.

11.2 Force Majeure. Except for the obligation to pay all charges when due

and owing hereunder, either party shall be excused from performance hereunder if its

performance is prevented by acts or events beyond the party's reasonable control including, but not limited to, acts of God, strikes or other labor unrest, failures of any telecommunications service provider, power failure, civil or military emergencies, or acts of legislative, judicial, executive, or administrative authorities.

11.3 Waiver. The waiver by either party of a breach or default of any

provision of this Agreement by the other party shall not be construed as a waiver of any succeeding breach of the same or any other provision, nor shall any delay or omission on the part of either party to exercise or avail itself of any right, power or privilege that it has, or may have hereunder, operate as a waiver of any right, power, or privilege by such party

11.4 Governing Law. This Agreement shall be construed and enforced in

accordance with the laws, excluding the conflict of laws provision, of the Commonwealth of Massachusetts.

11.5 Independent Contractors. This Agreement is not intended, nor should

anything herein be construed, to create the relationship of partners, joint ventures, principal and agent, employer and employee, or any other fiduciary relationship between Switchboard and YP.Net. The relationship of the parties hereto shall be that of independent contractors.

11.6 Entire Agreement; Amendment. This Agreement, including all Exhibits

hereto which are hereby incorporated by reference, represents the entire Agreement between Switchboard and the YP.Net with regard to the subject matter hereof, and any prior agreement, understanding, representation, or past dealings between the parties with respect to the matters covered hereunder, whether such prior activity had been in writing or expressed verbally. This Agreement may be amended only by a written document signed by authorized representatives of both parties.

11.7 Compliance with Laws. Each party shall be responsible for compliance,

at its own expense, with all laws, statutes, regulations, rules, ordinances, and orders of any judicial authority or governmental body, department or agency, which apply to or result from its rights or obligations under this Agreement.

11.8 Severability. If any provision of the Agreement is held to be invalid

or unenforceable by any court or tribunal of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

11.9 Headings. Captions and headings contained in this Agreement have been

included for ease of reference only and shall not be considered in interpreting or construing this Agreement.

11.10 Audit Rights. Each party obligated to make payments hereunder shall keep,

during the Term of this Agreement and for one (1) year thereafter, proper records and books of account relating to the computation of such payments. No more frequently than once every six (6) months, the party receiving payment, at its own cost and expense and through an independent, competent auditor who signs a nondisclosure agreement reasonably acceptable to the party subject to the inspection, may inspect such records for the sole purpose of verifying reports. Any such inspection will be conducted in a manner that does not unreasonably interfere with the inspected party's business activities. The inspected party shall immediately make any over due payments disclosed by such audit. If such overdue payments are more than ten percent (10%) of the amount already paid for the particular time period in question, then the inspected party shall also pay for the expense of the auditor.

11.11 Survival. Upon the expiration or termination of this Agreement for any

reason, the following provisions shall survive: PREAMBLE Section 1.0 (TERMS AND CONDITIONS); SCHEDULE A, Section 1.0 (DEFINITIONS) and Section 4.8 (Directory Ad Terms); SCHEDULE B, Section 1.0 (DEFINITIONS), Section 2.0 (EXCLUSIVITY), Section 3.0 (INTELLECTUAL PROPERTY), Section 4.0 (PUBLICITY), Section 5.0 (DISCLAIMER OF WARRANTIES), Section 6.0 (CONFIDENTIALITY), Section 7.0 (INDEMNIFICATION), Section 8.0 (LIMITATION

OF LIABILITY) Section 9.3 (Return of Confidential and Proprietary Materials and Removal of Links), Section 9.4 (Fulfillment of Orders), Section 10 (NOTICES) and Section 11.0 (GENERAL PROVISIONS).

EXHIBIT A

DIRECTORY AD SCEEN SHOT

[GRAPHIC OMITTED]

EXHIBIT B

SWITCHBOARD CONTENT POLICY

1. Switchboard reserves the right to reject any Directory Ad Order, or to remove, or to require that YP.Net remove, any Directory Ad placed by YP.Net hereunder or any YP.Net Merchant Content which, contains, or contains links to, content which Switchboard reasonable deems:
 - (a) Is patently offensive, including without limitation, bigotry, racism, discrimination, hatred or profanity; is pornographic, obscene, or sexually explicit; is disparaging defamatory or libelous, results in an invasion of privacy; promotes gambling (including lotteries); promotes or provides instructional information about illegal activities or physical harm or injury to any group, individual, institution or property; or infringes on a proprietary interest of any third party, including without limitation, any copyright, trademark, domain registration right, trade secret or paten right; or may violate any federal, state, county, and municipal laws, regulation, governmental agency orders, and court orders;
 - (b) States or implies an endorsement of the advertiser's products or Services by Switchboard or any third party associated with Switchboard.
2. In the event that Switchboard or a third party notifies YP.Net that a Directory Ad sold by or on behalf of YP.Net hereunder is the subject of complaints or concerns (e.g., from visitors to the Switchboard Site or any Switchboard Affiliated Sites) regarding the content of such Directory Ad or any material linked through such Directory Ad, YP.Net will use reasonable efforts to respond, or cause its merchant customer to respond in good faith to such complaints or concerns.
3. YP.Net acknowledges and agrees that, in certain local markets, Switchboard may be required pursuant to contracts with third parties to reject or remove Directory Ads and other forms of adverting promoting the following types of products or services; cigarettes; hard liquor; massage parlors; abortion clinics; firearms and ammunition; and head shops.

Trade Acceptance DRAFT PROGRAM
Buyer Acknowledgment

(Buyer) YP.Net, Inc.

(Address) 4840 E. Jasmine Street, Ste. 110

(Address). Mesa, _AZ 85205

Federal ID Number: 850506668

Name and Title of Person(s) Authorized
to Sign on Behalf of Buyer:

Angelo Tullo, President

BUYER IN ITS BUSINESS PURCHASES PRODUCTS, GOODS AND/OR SERVICES AND/OR BORROWS MONEY IN CONNECTION WITH EITHER :A COMMERCIAL OR FINANCIAL TRANSACTIONS (COLLECTIVELY REFERRED TO AS THE "MERCHANDISE") FROM COMMERCIAL PROVIDERS OF SUCH MERCHANDISE (HEREAFTER "SUPPLIERS"). BUYER HAS BEEN INTRODUCED TO THE TRADE ACCEPTANCE DRAFT PROGRAM (THE "TAD PROGRAM") OFFERED BY ACTRADE CAPITAL, INC. ("ACTRADE").

SIGNING THIS ACKNOWLEDGMENT FORM IMPOSES NO OBLIGATION UPON BUYER TO USE THE TAD PROGRAM AT ANY TIME. BY SIGNING THIS ACKNOWLEDGMENT FORM, BUYER CONFIRMS THAT, IF IT ELECTS TO USE THE TAD PROGRAM IN THE FUTURE, THEN BUYER, BY ISSUING ONE OR MORE TADS (AS DEFINED BELOW) PREPARED IN CONNECTION WITH TRANSACTIONS WITH ITS COMMERCIAL SUPPLIERS, AND IN CONSIDERATION OF ACTRADE'S PURCHASE THEREOF FROM SUCH COMMERCIAL SUPPLIERS, CONFIRMS ITS AGREEMENT THAT THE FOLLOWING GENERAL TERMS SHALL APPLY:

1. THE TAD: Actrade has developed and administers the patented "Trade Acceptance Draft" (TAD) Program and has developed and recently introduced the Electronic Trade Acceptance Draft (E-TAD) Program which is, in essence, the electronic, on-line version of the original TAD Program. For purposes of this Agreement all references to "TAD" shall include both TADs and E-TADs and "TAD Program" shall include both the TAD Program and the E-TAD Program. A TAD is a draft prepared in connection with a commercial or financial transaction on the account of the Buyer, which is issued and signed by the Buyer as payment for Merchandise. By issuing a TAD, Buyer hereby agrees to pay such TAD at a designated bank when it becomes due. A TAD identifies a specific amount due on a specific date in the future, as agreed to by Buyer, and is payable from a specific, designated bank account of Buyer, A TAD is an instrument evidencing Buyer's obligation to make payment for Merchandise under the Uniform Commercial Code of the State of New York and on its due date serves as a pre-authorized payment draft against the designated account in exactly the same fashion as an ordinary check;
2. FULL PERFORMANCE: By Buyer's participation in Actrade's TAD Program, Buyer agrees that Actrade, and any subsequent holders of TADs, may deem the Merchandise for which it has paid by issuing any TAD or TADs to have been received as ordered, duly inspected, if appropriate, and found the Merchandise to be acceptable and Actrade may rely upon delivery of the TADs as evidence of full performance by Supplier;
3. NO CINNERCUAK DISPUTE: Buyer has no, and will not in the future claim any, commercial dispute, defense, claim or offset which would cause or permit it to refuse payment of a TAD when presented for payment on the due date. Nothing herein shall limit or otherwise adversely affect Buyer's rights against its Supplier;
4. AVAILABLE FUNDS: On the due date of any TAD, Buyer will have available funds on deposit in the bank account at the bank designated by the Buyer to permit payment of such TAD when presented (the "Paying Bank");
5. NEGOTIABILITY: The TADs are negotiable instruments as defined in the Uniform Commercial Code of the State of New York, and in particular under Sections 3-104 and 3-409 thereof, and can be transferred by the endorsement of Seller or any subsequent holder of the TAD;

6. PAYING BANK: If Buyer changes the account designated for TAD payment, such change must be made on at least 10 days prior written notice to Actrade;
7. DEFAULT: If Buyer defaults in the payment of any of the TAD(s) purchased by Actrade:
 - a) ACCELERATION OF DUE DATE: Actrade may accelerate the due dates of all other TADs it has purchased from the Supplier which received such TADs from Buyer so that payment on all such TADs shall be due 10 days following the acceleration date.
 - b) DEFAULT CHARGES: Buyer agrees that the face amount of each TAD which is not paid for any reason on the due date thereof (including without limitation, a due date accelerated pursuant to Paragraph 7a shall bear interest at the rate of 1.5% per month from the due date of such TAD through and including the date of payment. Buyer agrees to pay Actrade such interest together with the face amount of such TAD and any actual charges incurred by Actrade in collecting defaulted TADs, including bank charges, return fees and legal fees.
 - c) NO FURTHER BUSINESS WITH SELLER: Upon a default in payment of any TAD, Buyer shall immediately relinquish its' right to purchase, order or request any further Merchandise from the Supplier to which the defaulted TAD was delivered. At Actrade's request, such Supplier shall cease to make any further sales of Merchandise to Buyer until such time as all defaulted TADs have been paid in full, together with all applicable default fees and charges due to Actrade;
8. PAYMENT AUTHORIZATION: Actrade (including any party to whom the TADs are sold, assigned, pledged or otherwise transferred) is authorized by Buyer to add to the TADs required or appropriate endorsements, signatures or encoding of bank routing and payment information to permit payment of amounts due to Actrade on the due dates by debit from Buyer's account at the specified Paying Bank;
9. AUTHORIZED SIGNATURE: Buyer shall ensure that all TADs are signed and that the signatures on TADs shall be of persons authorized as a signatory on the designated account at the Paying Bank and authorized to execute instruments such as TADs;
10. VALID CORPORATE OBLIGATION: Buyer confirms, warrants and represents that the terms, conditions and provisions herein with respect to Buyer's use of TADs and its participation in the TAD Program, have been duly approved by all necessary corporate action on the part of Buyer and that this acknowledgement and each of the TADs issued by the Buyer shall be the valid, legal and binding obligation of Buyer and that all required corporate action has been duly taken as required by Buyer's charter, by-laws or any applicable provisions of law in connection with this acknowledgement and the TADs to be issued in conjunction herewith;
11. ARBITRATION: At the sole discretion of Actrade, any and all disputes or claims arising out of or relating to this Agreement or the relationship between Buyer and Actrade, including any dispute or claim based upon or arising from an alleged tort, may be submitted to arbitration in accordance with the provisions of the rules of the American Arbitration Association, to be decided by three (3) arbitrators appointed in accordance with such rules. If Actrade so elects, the site of such arbitration hearing and all proceedings in connection therewith shall be New York City, New York, and Actrade and Buyer each irrevocably and unconditionally submit to said jurisdiction and venue in New York City, New York. Any such arbitration award shall be final and binding upon both parties concerned and any judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any remedy that would be available from a court of law or equity, and permitted under this Agreement, shall be available from the arbitrator. Actrade and Buyer agree that this Agreement involves interstate commerce and that all arbitration proceedings conducted hereunder shall be governed by the Federal Arbitration Act, 9 U.S.C. Sec. 1. et seq. Actrade and Buyer hereby expressly agree that this paragraph constitutes a valid agreement to arbitrate. The court in which any judgment upon the award is entered, whether a confirming court, a domesticating court and/or an appellate court, shall award all attorneys' fees incurred by Actrade in connection with the proceedings therein.
12. APPLICABLE LAW, VENUE, JURISDICTION AND SERVICE OF PROCESS. The laws of the State of New York shall govern this Agreement as well as any and all

disputes arising between Buyer and Actrade. Further, without any limitation to the foregoing, Buyer hereby confirms its understanding that all TAD transactions, the TAD program and the use of TADs: (i) are specifically subject to the provisions of the Uniform Commercial Code of the State of New York and (ii) that the laws of the State of New York will govern any and all disputes concerning electronic signatures. Should Actrade elect not to submit any dispute hereunder to arbitration, Buyer agrees and irrevocably submits to the exclusive Jurisdiction of (i) the Supreme Court of the State of New York, New York County and (ii) the United States District Court for the Southern District of New York for the purposes of any dispute arising out of this Agreement or arising between Buyer and Actrade (whether based upon contract, tort or any other legal principle), Buyer irrevocably and unconditionally waives any OBJECTION to the laying of Venue of any dispute arising out of this Agreement or arising between Buyer and Actrade (whether based upon contract, tort or any other legal principle) in (i) the Supreme Court of the State of New York, New York County or (ii) the United States District Court for the Southern District of New York. Buyer further irrevocably unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in said court has been brought in an inconvenient forum. Furthermore, Buyer consents to the service of process in any suit, action "or proceeding by means of either service upon the Secretary of the State of New York hereby designated as Agent for service of process or by certified limit, return receipt requested. addressed to Buyer at the address first above written, or such other address as the Buyer may from time to time designate in writing.

13. DISCLOSURE. Actrade is hereby authorized to release financial statements and related information PERTAINING to Buyer for the purpose of assessing security on Actrade's behalf;
14. ASSIGNMENT. Buyer agrees that it shall not assign this Acknowledgement. Buyer agrees that Actrade may assign all of its rights, remedies, powers and privileges hereunder;
15. WAIVER AND INTEGRATION: This acknowledgment contains the entire agreement of the parties, and supersedes all prior ones. Specifically, Buyer acknowledges- that in signing this agreement, Buyer is not relying on any previous representations made by Actrade or its representatives. Buyer further acknowledges that this agreement may only be changed by a written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought. Further, you confirm that the headings used in this Letter are solely for reference and our convenience and do not change the meaning of any provision hereof; and
16. AFFIRMATION OF FINANCIAL STATEMENTS: Buyer confirms that all financial statements prepared, whether internally or externally, for the Buyer and submitted to Actrade are true and accurate representations of the financial condition of the Buyer in accordance with standard accounting principles.

Company: YP.Net, Inc. Paying Bank: Bank Of America

Signature: /s/ Angelo Tullo Account/ABA Number: 004671574864/122101706

Print Name: Angelo Tullo ["Official Seal"]
----- Margaret M. Molter
Title: President Notary Public-Arizona
----- Maricopa County
My Commission Expires 9/22/2003

Sworn To Before Me this 13th day of August 2002

Notary: Margaret M. Molter

(SUPPLIER COMPANY NAME) Telco Billing, Inc.

(ADDRESS) 4840 E. Jasmine Street, Ste. 110

(ADDRESS) Mesa, AZ 85205

Actrade Capital, Inc. ("Actrade") has developed and administers the patented "Trade Acceptance Draft" (TAD) Program and has developed and recently introduced the Electronic Trade Acceptance Draft (E-TAD) Program which is, in essence, the electronic, on-line version of the original TAD Program. For purposes of this Agreement all references to "TAD" shall include both TADs and E-TADs and "TAD Program" shall include both the TAD Program and the E-TAD Program. This Letter of Understanding is intended to set forth the terms and conditions applicable to all transactions between us under Actrade's TAD Program:

1. PURCHASE OF TAD. Under any of the available options under the TAD Program, Actrade may buy a Trade Acceptance Draft ("TAD") which you receive from your customers in payment for goods and/or services.
2. NO OBLIGATION ON EITHER PARTY. You are not obligated to sell any TAD you receive, nor is Actrade obligated to buy any TAD you offer to sell. In connection with each sale of TADs proposed by you, Actrade will notify you of the terms upon which it will buy any TAD from you. The terms under which a TAD will be purchased will be set out in writing in the Bill of Sale for each purchase transaction. You may either accept the terms offered, or reject them for any reason at all.
3. FULL PAYMENT UPON SALE OF TAD. In general, Actrade will pay you the full face amount of each TAD purchased by it, less Actrade's fees, charges and agreed upon discounts. However, in some cases the amount of the initial payment may be less depending upon Actrade's evaluation of your customer, the industry in which you and your customers operate, the product or service sold and any other factor that would have a bearing upon the evaluation of the transaction. In all cases where you require the precise purchase terms in advance you must follow the procedure for the pre-approval of your customers by Actrade (see Paragraph 8 below).
4. NATURE OF TAD OFFERED. Any TAD offered for sale to Actrade must have been duly issued and delivered to you by your customer as payment for the actual sale of goods and/or services, in a bona fide contemporaneous commercial transaction entered into between you and your customer. You acknowledge that any TADs offered for sale to Actrade do not represent sales to any of your subsidiaries, parent company or affiliates or any of your employees without prior written approval by an officer of Actrade. You further acknowledge that TADs offered for sale are of proper and legal form and have not been altered in any way (other than being endorsed by you pursuant to Paragraph 16 below) by you.
5. ALL RIGHTS SOLD WITH TAD. Your sale of any TAD to Actrade is made together with all proceeds thereof, security and guarantees therefore, all of your rights to the goods or property which were paid for with such TAD and all your rights to payment for the goods or services represented by such TAD, so that Actrade will have all of the rights of an unpaid supplier of the goods or services, the sale of which gave rise to such TAD if such TAD is dishonored.
6. TADS NOT PURCHASED BY ACTRADE. Where you have submitted TADs to Actrade for purchase and Actrade declines to purchase such TADs, you have the option of requesting Actrade, for a nominal charge, to prepare the TADs for direct deposit in your bank account on the due date. In such a case Actrade will grant you a limited waiver from its patented TAD process for those TADs only.
7. NON-RECOURSE PURCHASE OF TADS; CONDITIONS WHICH RESULT IN RECOURSE TO YOU. The purchase of any TAD from you is without recourse in the event of non-payment of such TAD UNLESS (i) such TAD is not paid when due because of an act of fraud by you in connection with the generation or sale of the defaulted TAD; OR (ii) the non-payment was the result of any commercial

dispute, claim of offset or claimed counterclaim against you by your customer; OR (iii) you violate the provisions of either Paragraph 4 or 11 hereof. However, in the event of a commercial dispute, claim of offset or claimed counterclaim against you, Actrade agrees that it will have recourse against you ONLY in the event that a court of competent jurisdiction determines that Actrade cannot collect the amount of the defaulted TAD(s) or any portion of such amounts from the applicable Buyer by reason of such dispute.

8. CUSTOMER PRE-APPROVAL.

A. CUSTOMER PRE-APPROVAL. If you desire pre-approval of the purchase terms for a specific customer, you must submit to Actrade the names and required credit information concerning such customer(s) from whom you intend to receive TADs. If approved, Actrade will provide you with a written statement for each approved customer (a "Qualified Customer") detailing the amount of credit available for such Qualified Customer (i.e. total face amount of TADs from each Qualified Customer which Actrade will purchase),

and any other limitation or conditions affecting the purchase price or payment terms with respect to such Qualified Customer.

B. WRITTEN STATEMENT REQUIRED. The written statement provided in the case of a customer pre-approval must be signed by an authorized and duly appointed officer of Actrade before it is valid. Absent such a written statement, Actrade will only be bound by the purchase terms as set forth in the Bill of Sale for the transaction, which must also be signed by an officer of Actrade to be valid, of which you will only be advised after Actrade receives the TADs.

C. TERMINATION OR MODIFICATION OF APPROVAL. Actrade may in its sole and arbitrary discretion terminate or modify the approval of any Qualified Customer at any time in the event of an adverse change in the financial condition of such Qualified Customer or if such Qualified Customer has defaulted in the payment of any TADs when due.

9. ACTRADE'S RIGHT WITH RESPECT TO DEFAULTED TADS. As owner of any TAD sold by you to Actrade, Actrade shall have the right to bring suit, in your name or its own, and generally, will have all other rights which you would have with respect to said TAD and the transaction, including, without limitation, the right to (i) accelerate or extend the time of payment; (ii) settle, compromise or release (in whole or in part) any amount owing, or (iii) where applicable, to file, in your name or its own, a lien against the property where the services were performed or for which the goods sold. Actrade agrees it has no right as against you for any difference owed or amount remaining on the defaulted TADs, unless pursuant to Paragraph 7.

10. CHARGES WHERE ACTRADE HAS RECOURSE. In the case where the circumstances of a default in payment of any TAD were such that the credits proleclion ohlained, if any, did not fully compensate Actrade for any loss related to the Default of a TAD as to which you were subject to recourse pursuant to Paragraph 7 above or if no such credit protection was obtained, which notice shall be given to you prior to Actrade's purchase of the TAD, you shall be obligated to pay to Actrade (i) the face amount of the applicable Defaulted TAD, plus (ii) interest on that amount at the prime lending rate as established by Citibank, N.A. in New York City from the original due date of the Defaulted TAD to the date Actrade receives payment of the face amount of such Defaulted TAD, plus (iii) when applicable, all out of pocket costs for collection of the TAD including, but not limited to, bank charges, reasonable attorney's fees, and the like. Upon making such payment, the Defaulted TAD will be returned to you as if it had never been purchased by Actrade.

11. NO FURTHER BUSINESS WITH CUSTOMER WHILE DEFAULT EXISTS. At Actrade's request, you shall cease to make any further sales of goods or services to any customer who defaulted in the payment of any TAD until such time as all defaulted TADs issued by such customer have been paid in full, together with all applicable default fees and charges due to Actrade. Your failure to comply with this requirement will result in Actrade having full recourse against you for the amount owed by your customer upon any TAD issued by such customer, including, but not limited to, the TAD face amount, interest, fees and reasonable attorney's fees for collection.

12. RIGHT OF OFFSET. Actrade has the right to offset against any amounts due to

you any amounts you owe to Actrade.

13. Changes to Program Terms and Conditions. Actrade may from time to time, in its sole discretion, make changes or additions in the general terms and conditions applicable to its TAD Program or to any TAD Program option, including the discontinuance or addition of any options or services. However, Actrade confirms that any such changes will not affect the terms or conditions applicable to any transaction where TADs have been purchased. You agree that should you utilize the TAD Program after the stated effective date of any change; to the terms and conditions, such use shall constitute your acceptance of the new or changed terms and conditions,
14. TRADE NAMES AND STYLES. You have advised that you customarily use the following trade name and style:
" Yellow-Page.Net , a division of YP.Net, Inc. ." By signing (bis

Agreement below you authorized Actrade to accept and deposit TADs and checks issued to you under the trade name and style herein and pursuant to any future agreement between you and Actrade relating to trade acceptance drafts.
15. AUTHORITY TO ADD ENDORSEMENT. With respect to any TADs sold by you to Actrade, or any checks received in connection with such purchased TADs) you hereby (i) agree to properly endorse such TAD(s) or check(s) to the order of Actrade and (ii) grant to Actrade the right and authority to add your endorsement to such purchased TADs (if you fail to do so) whenever required in order to effect the sale, pledge, assignment, transfer, presentment and/or collection thereof,
16. ARBITRATION: At the sole discretion of Actrade, all disputes and claims arising in connection with the relationship between you and Actrade (whether relating to Actrade's TAD Program or otherwise) may be submitted to arbitration for resolution in accordance with the provisions of the rules of the American Arbitration Association, by three arbitrators appointed in accordance with such rules. If Actrade so elects, the site of such arbitration shall be New York City, New York and the parties hereto each submit to such jurisdiction. Any award of the American Arbitration Association shall be final and binding upon both parties concerned.
17. APPLICABLE LAW, VENUE, JURISDICTION AND SERVICE OF PROCESS. You agree that the laws of the State of New York shall govern this Agreement, and any between us. Further you confirm your understanding that the TAD Program and the use of TADs is specifically subject to the provisions of the Uniform Commercial Code, of the State of New York, and in particular that the Laws of the State of New York will govern the legal effect and enforceability of electronic signatures affixed to any document pertaining to a TAD transaction. Should Actrade not elect to submit any dispute hereunder to arbitration, you agree that any legal action or proceeding arising out of or relating to this Agreement or the relationship between us shall be instituted solely in the courts of the State of New York, within the City and County of New York, or of the United States of America for the Southern District of New York at New York City, New York and the parties hereby submit to the jurisdiction of each such court in any such action or proceeding. You consent to the service of process in any such legal action or proceeding by means of either service upon the Secretary of the State of New York hereby designated as Agent for service of process or

by certified mail, return receipt requested, addressed to you at the address first above written, or such other address as you may from time to time designate in writing. You also waive your right to a trial by jury of any disputes arising from your relationship with Actrade.

18. VALID CORPORATE OBLIGATION. By executing this Agreement below where indicated, you also confirm, warrant and represent that the terms, conditions and provisions set forth herein have been duly approved by all necessary action on the part of the Supplier and that this Agreement is the valid, legal and binding agreement and obligation of the Supplier and that all required and necessary corporate action has been duly taken as required by your corporate charter, by-laws and all applicable provisions of the laws of the jurisdiction of your incorporation in connection with this Agreement and the transactions contemplated hereunder.

19. SAVING CLAUSE. If any provision of this Agreement in any way contravenes the laws of any state or jurisdiction, such provision shall be deemed not to be a part hereof in (hat jurisdiction, and you agree to remain bound by all remaining provisions. If any portion of this Agreement shall be deemed to be illegal or violative of public policy, it is agreed that it shall be interpreted to be legally binding and enforceable to the maximum reasonable extent allowed by law.
20. ASSIGNMENT. You agree that you shall not assign this Agreement. You agree that Actrade may assign all of its rights, remedies, powers and privileges hereunder.
21. WAIVER AND INTEGRATION. This acknowledgment contains the entire agreement of the parties, and supersedes all prior ones. Specifically, you acknowledge that in signing this agreement, you are not relying on any previous representations made by Actrade or its representatives. You further acknowledge that this agreement may only be changed by a written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought. Further, you confirm that the headings used in this Letter are solely for reference and our convenience and do not change the meaning of any provision hereof.

Please note that this Agreement is not binding upon Actrade unless and until executed by an officer of Actrade where indicated below. Further, you confirm your understanding that the headings used in this Agreement arc solely for reference and our convenience and do not change the meaning of any provision hereof.

Very truly yours,

Actrade Representative

ABOVE TERMS AND CONDITIONS ACCEPTED:

Telco Billing, Inc.

88-0391858

"SUPPLIER"

By: /s/ DeVal Johnson

(480) 860-0011

Name: DeVal Johnson
Title: Director

This Agreement has been confirmed
by Actrade Capital, Inc. by:

Signature of officer of Actrade

SECRETARY'S CERTIFICATE

I, DeVal Johnson. being duly constituted Secretary of Yp.Net, Inc.

corporation duly organized and existing under and by virtue of the laws of Arizona (hereafter the "Corporation"), do hereby certify that the following

individuals of the Corporation are hereby authorized to execute and deliver all of the documents, instruments, Trade Acceptance Drafts ["TAD(TM)"] and agreements to be executed and delivered by the Corporation in connection with Actrade Capital, Inc.'s TAD Program (collectively the "Transaction Documents") and bind the Corporation thereto and that their true and lawful signature appear below adjacent to their name:

Name	Postion	Signature
-----	-----	-----
Angelo Tullo	President	/s/ Angelo Tullo
-----	-----	-----
DeVal Johnson	Secretary	/s/ DeVal Johnson
-----	-----	-----

I further confirm that all parties set forth above as authorized signatories are authorized signatories on the bank account designated by the Corporation for payment of TADs.

Furthermore, should any of the above parties no longer be authorized signatories for the Corporation, prior written notice by certified mail, return receipt requested, must be given to an officer of Actrade Capital, Inc. ("Actrade") notifying them of the change and designating a new authorized signatory. It is understood that Actrade shall not be liable for the Corporation's failure to give such notice.

Dated: August 13, 2002

(Corporate Seal)

/s/ DeVal Johnson, Secretary

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARABANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of YP.Net, Inc. (the "Company") on Form 10-QSB for the three months ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Angelo Tullo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ ANGELO TULLO

Angelo Tullo
Chairman, President and Chief Executive Officer
May 14, 2003

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARABANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of YP.Net, Inc. (the "Company") on Form 10-QSB for the three months ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Iannini, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (3) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (4) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ DAVID IANNINI

David Iannini
Chief Financial Officer
May 14, 2003