



actual or constructive knowledge of this Agreed Final Judgment and Permanent Injunction. This Agreed Final Judgment and Permanent Injunction applies to natural persons only in their respective capacities as directors, officers, employees, agents, servants or representatives of YP Corp. or Telco Billing, Inc., or other relevant entity.

## **II. DEFINITIONS**

The following definitions shall be used in interpreting the terms of this Agreed Final Judgment and Permanent Injunction.

**Activation Check** means a negotiable instrument in the form of a check that, by its deposit, is intended by the sender or payor to evidence the acceptance by the recipient or payee of an offer to sell goods or services or the acceptance of an obligation to pay for any goods or services, or the establishment or activation of a relationship which is reasonably expected to create a future obligation on the recipient or payee to pay for goods or services.

**Bill or Billing** means the submission of any billing information to a third party billing processor or aggregator for the purpose of ultimate submission of that billing information to a customer's bank account, local exchange company (telephone company), credit card, or through any other automated billing channel intended to elicit payment by the customer, but, for purposes of this Agreed Final Judgment and Permanent Injunction, does not include a written invoice delivered through the United States mail.

**Activation Check Customer** means any individual, business, church, institution, governmental agency or other organization which was initially solicited by YP Corp. or Telco Billing, Inc. on behalf of YP Corp., through an Activation Check, was subjected to billing by YP Corp. or Telco Billing, Inc., through an automated billing channel including a Local Exchange

Company (LEC) or telephone bill, an automatic bank draft or ACH draft posted against the Activation Check Customer's bank account, or a recurring charge posted against the credit card and that made at least one payment to YP Corp. or Telco Billing, Inc.

**Current Activation Check Customer** means any Activation Check Customer which made a payment to YP Corp. or Telco Billing, Inc., directly or through a third party, during the billing cycle which expired immediately prior to the Effective Date of this Judgment or that billing cycle which includes December 1, 2006, whichever date is earlier in time, through or in response to any automated billing channel. Current Activation Check Customer does not include any customer whose payment during this same recent period was made by mailing a check to YP Corp. or Telco Billing, Inc., in response to a written invoice mailed to it by YP Corp. or Telco Billing, Inc.

**Effective Date** means the date this Agreed Final Judgment and Permanent Injunction is filed with the Court.

**Merchandise** shall include any objects, wares, goods, commodities, intangibles, real estate, services or anything offered, directly or indirectly, to the public for sale.

**Represent** means to state, or to imply through statements, questions, conduct, graphics, symbols, lettering, formats, devices, language, documents, messages, or through any other manner or means by which meaning might be conveyed. For purposes of this Consent Judgment, this definition applies to other forms of the word "Represent," including without limitation "Representation." In determining the express or implied meaning of a Representation that appears from the outside of a mailing envelope, only matter visible without opening the envelope shall be considered.

The **Settling States** are: Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, North Carolina, North Dakota, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Washington, West Virginia, and Wyoming.

The **State** means the Office of the Attorney General.

### **III. INJUNCTIVE TERMS**

#### **A. Promotional Practices**

1. Termination of Use of Activation Checks. In connection with the advertisement, offer for sale or sale of goods or services, YP Corp. and Telco Billing, Inc., shall not, directly or indirectly, send to individuals, businesses, churches, institutions, governmental agencies or other organizations, any solicitation that contains an Activation Check.

#### **B. Notification of Current Activation Check Customers**

1. Notice to Current Activation Check Customers. YP Corp. and Telco Billing, Inc., shall not bill any Activation Check Customer for merchandise initially sold, in part or in full, through the use of an Activation Check unless and until YP Corp. and Telco Billing, Inc., mail to such customer the letter attached hereto and incorporated herein as Exhibit "A" in compliance with the following terms:

A) Notice Mailing Requirements. YP Corp and/or Telco Billing, Inc., shall mail to each Current Activation Check Customer the letter and envelope attached hereto as Exhibit "A" by first class mail to the last known address of each Current Activation Check Customer. Also enclosed with the Exhibit "A" mailing shall be a return envelope addressed to YP

Corp. Such mailing shall occur within twenty (20) days of the Effective Date of this Agreed Final Judgment and Permanent Injunction. The letter and envelope attached hereto as Exhibit "A" shall have no other purpose and shall not contain any documents or other information not depicted by or expressly allowed by this sub-paragraph.

B) Customer Service. YP Corp and Telco Billing, Inc., shall ensure that the telephone number reflected on Exhibit "A" as a "customer service" number is the same "customer service" number used in other contexts by YP Corp. and Telco Billing, Inc., so as to ensure that recipients of Exhibit "A" might also locate that "customer service" number through YP.com, YP.net., Yellow-Page.net, and other correspondence or communications between them and YP Corp. or Telco Billing, Inc. That "customer service" number shall be manned during regular business hours so that a recipient calling in response to Exhibit "A" may speak to a representative of YP Corp. or Telco Billing, Inc., following no more than one automated menu option.

C) Returned Mail and Non-Mailable Addresses. YP Corp. and Telco Billing, Inc. shall inform the State of any mailing made of Exhibit "A" which is returned for either an incorrect or non-mailable address or due to a refusal by the apparent addressee to receive the mailing. YP Corp. and Telco Billing, Inc., shall not commence billing for the affected account unless and until they obtain reliable third party confirmation that the address is currently on file with the United States Postal Service as the valid and current address for the Current Activation Check Customer. Evidence of that confirmation shall be retained under the terms of this Judgment and made available to the State upon request. YP Corp. or Telco Billing, Inc., will mail (or re-mail) Exhibit "A" to any confirmed or corrected

address prior to commencing any billing effort, making such modifications as necessary to allow recipients or re-mailed recipients a sixty (60) day period to make any response.

2. Reporting. YP Corp. and Telco Billing, Inc., shall retain all written responses to Exhibit "A" for a period of at least three years from the Effective Date. YP Corp. and/or Telco Billing, Inc., shall identify, within twenty (20) business days of receiving a request by the State, the name, address, telephone number, and account number of any customer which responded to Exhibit "A," along with the amount paid to that customer by YP Corp. or Telco Billing, Inc., and the date that payment was made. YP Corp. and/or Telco Billing, Inc., shall also provide, within twenty (20) days of receiving a request by the State, the name, address and telephone number associated with any customer account for which Exhibit "A" was returned to YP Corp. or Telco Billing, Inc., under paragraph 1(C) or any address confirmation obtained pursuant to paragraph 1(C) above.

3. Handling of Redress Offered to Current Activation Check Customers. YP Corp. and Telco Billing, Inc., shall accept all qualified requests that were postmarked within sixty (60) days following the last date on which Exhibit "A" was mailed by first class mail.

A) Qualified Requests. YP Corp. and Telco Billing, Inc., shall accept as "qualified" all requests for refunds which substantially comply with the requirements set forth in Exhibit "A." "Substantially complying" requests would include those requests which may be completed on copies of Exhibit "A" or replicated forms which otherwise reflect the content of the "refund request" portion of Exhibit "A," including the affirmation contained thereon.

B) Payment to Qualified Requests for Refund. YP Corp. and Telco Billing, Inc., shall remain responsible for ensuring that payment of any requested refund shall be made under

the terms of this Section and shall take all reasonable efforts to complete that payment. If, after reasonable efforts, a payment has not been made to a qualified Current Activation Check Customer, YP Corp. and Telco Billing, Inc., shall provide a written report to the State identifying such recipients and the efforts made to complete payment. Within ninety days of receiving such report, the State may direct payment by YP Corp. of those claimed amounts to any designated State agency responsible for holding unclaimed funds for the benefit of that qualified Current Activation Check Customer.

4. Non-Exclusivity of Redress. Nothing in this Agreed Final Judgment and Permanent Injunction shall be construed as limiting the ability of YP Corp. or Telco Billing, Inc., to offer additional refunds, credits or other redress which exceeds the requirements of this judgment. YP Corp. and Telco Billing, Inc., shall continue to honor any private agreements reached with individual customers in resolving any disputes, provided they offer at least the refunds described by Exhibit "A." YP Corp. will not, during the time period covered by the above-described notification process change the cancellation and refund policy that was in effect on August 31, 2006, and shall, if applicable, pay any higher amount in response to qualified requests. That policy included an unconditional refund upon request by an Activation Check Customer within 120 days from the date on which YP Corp. began providing its Internet Advertising Package services to the Activation Check Customer.

5. Limitation on Collection Efforts. YP Corp. and Telco Billing, Inc., shall not, directly or indirectly, pursue collection of unpaid or past-due amounts owed on any account which was obtained through the deposit of an Activation Check, or represent that such collection may occur.

6. Reporting. Within sixty (60) days following the conclusion of the 60-day notification period described above, YP Corp. and/or Telco Billing, Inc., shall provide to the State a record in

electronic form (e.g., Microsoft Excel or other compatible database) itemizing all customers which responded to Exhibit "A," and the following details: their name, address, telephone number, account number, the date their response was postmarked, and the amount they were paid by YP Corp. or by Telco Billing, Inc. and the date that payment was mailed.

#### **IV. MONETARY PROVISIONS**

##### **A. Reimbursement and Redress Payment**

1. Payment. The Settling States shall recover and YP Corp. and Telco Billing, Inc., shall pay the amount of Two Million Dollars (\$2,000,000.00). Such monies shall be paid by YP Corp. and Telco Billing, Inc., upon the filing of the parties' stipulation to the entry of this Agreed Final Judgment and Permanent Injunction to the Attorney General of the State of Missouri on behalf of the Settling States. In the event such funds are not paid by the date on which this Agreed Final Judgment and Permanent Injunction is filed, interest on any unpaid balance shall accrue at the rate of nine percent (9%) per annum from the date due until paid in full.

2. Distribution. As soon as practicable following receipt of the above funds, the Attorney General of the State of Missouri shall cause such funds to be distributed among the Settling States pursuant to an agreement between and among the Settling States, to which YP Corp. and Telco Billing, Inc., are not parties, for the purposes of implementing restitution programs and being applied to their consumer protection efforts, reimbursement of their litigation costs, attorneys fees, investigative costs, and applied to any other lawful use by the Settling States. Notwithstanding the immediately preceding sentence, subject to their respective state laws and policies, the States may use those funds not applied to their restitution programs for any purpose provided by state law, including for placement in or application to, a consumer education,

litigation, or local consumer aid fund or revolving fund, or for other uses to defray the costs of the litigations and investigations leading to this Judgment, as permitted by the laws of the State.

3. Use of Funds. The sum of \$85,000.00 of the fund paid to the State of Texas will be applied as attorney's fees incurred by the State. The balance of this fund will be for the purpose of paying full or partial restitution to any customers of YP Corp. who suffered any ascertainable loss by reason of mistakenly depositing an Activation Check and making subsequent payments to YP Corp. In order to be eligible for restitution, such eligible customers must deliver or mail a complaint to the Attorney General, postmarked no later than ninety (90) days from the Effective Date of this Consent Judgment. In the event that the amount of restitution ordered herein is not sufficient to pay total refunds to all eligible consumers, the refunds shall be distributed on a pro rata basis. Any monies remaining after the distribution of restitution shall be used to defray the cost of restitution distribution and any attorneys' fees and costs incurred in obtaining and enforcing this Judgment or other purposes allowed by law.

## **V. RECORDS AND COMPLIANCE**

1. Provision of Records. Within twenty (20) business days of the Effective Date of this Consent Judgment, YP Corp. and Telco Billing, Inc., shall provide to the State:

A) Current Activation Check Customer Records. A record in electronic form (e.g., Microsoft Excel or other compatible database) itemizing all Current Activation Check Customers (those customers to whom Exhibit "A" is to be mailed), including the following details: the customer's full name, address, telephone number, current billing method, and account number. Notwithstanding the above twenty (20) business day deadline, the foregoing record shall be provided by the date on which Exhibit "A" is mailed.

B) Other Activation Check Customer Records. YP Corp. shall provide, within two business days of receipt of any request from one of the Settling States, the customer's full name, address, telephone number, current method of billing (if any), account number, the dates during which the customer's account was open, the total amount paid by the customer to YP Corp. or Telco Billing, Inc., since January 1, 2003, and any amount that was refunded, reimbursed or credited against those amounts paid prior to the Effective Date of this Consent Judgment (i.e., any set-off asserted by YP Corp. or Telco Billing, Inc.). YP Corp. will accept such requests from a Settling State by e-mail, telefax or telephone, in addition to mail.

2. Availability of Records. In addition to all foregoing obligations to provide information or records to the States, YP Corp. and Telco Billing, Inc., shall maintain and make available to the State, upon its written request, all books, records and other documents reflecting the use of any Activation Check or any account created following the use of an Activation Check or which otherwise reflect the implementation of the terms of this Consent Judgment and compliance with its terms. Any such records requested by the State shall be made available for inspection within twenty (20) business days. YP Corp. and Telco Billing, Inc., shall honor any request from the State to make such records available without further legal process.

## **VI. GENERAL AND ADMINISTRATIVE PROVISIONS**

1. Modification. Jurisdiction is retained for the purpose of enabling any party to this Agreed Final Judgment and Permanent Injunction to apply to the Court at any time for such further orders and directions as might be necessary or appropriate for the modification, construction, or carrying out of the injunctive provisions of this Agreed Final Judgment and

Permanent Injunction, or for the enforcement of and the punishment of violations of any provisions hereof. The parties by stipulation may agree to a modification of this Agreed Final Judgment and Permanent Injunction, which agreement shall be presented to this Court for consideration, provided that the parties may jointly agree to a modification only by a written instrument signed by or on behalf of both the State and YP Corp. and Telco Billing, Inc.

Any party to this Agreed Final Judgment and Permanent Injunction may petition the Court for modification on thirty (30) days' notice to all other parties to this Agreed Final Judgment and Permanent Injunction. If YP Corp. or Telco Billing, Inc., wishes to seek a stipulation for a modification from the State, it shall send a written request for agreement to such modification to the Attorney General of the State at least thirty (30) days prior to filing a motion with the Court for such modification.

2. Modification for Conflict of Law. If, after the Effective Date of this Consent Judgment, the State, its Attorney General, or any agency of the State charged with the administration of its consumer protection statutes, enacts or promulgates legislation, rules, or regulations with respect to the matters governed by this Consent Judgment that conflict with any provision of this Consent Judgment, including, specifically allowing, under certain conditions, that which is prohibited under this Consent Judgment, or if the applicable law of the State shall otherwise change so as to conflict with any provision of this Consent Judgment, the Attorney General of such State shall not unreasonably withhold its consent to the modification of such provision to the extent necessary to eliminate such conflict.

Laws, rules, or regulations, or other change in State law, with respect to the matters governed by this Agreed Final Judgment and Permanent Injunction, shall be deemed to "conflict" with a provision of this Agreed Final Judgment and Permanent Injunction if YP Corp. and Telco

Billing, Inc., cannot reasonably comply with both such law, rule, or regulation and an applicable provision of this Agreed Final Judgment and Permanent Injunction. If YP Corp. and Telco Billing, Inc. believe that they cannot reasonably comply both with this Agreed Final Judgment and Permanent Injunction and with applicable federal law, rules, or regulation, they may seek modification hereof.

3. Release of Claims. The State acknowledges by its execution hereof that this Agreed Final Judgment and Permanent Injunction constitutes a complete settlement and release of all civil claims on behalf of the State against YP Corp. and Telco Billing, Inc., and all of their officers, directors, employees, agents, servants, representatives, and their successors and assigns (all such released parties shall be collectively referred to as the "Releasees"), with respect to all claims and causes of action which were asserted or which could have been asserted prior to the Effective Date under the above-cited consumer protection statutes and which were based upon the use of Activation Checks. The State agrees that it shall not proceed with or institute any additional civil action or proceeding based upon the above-cited consumer protection statutes against the Releasees (including but not limited to an action or proceeding seeking restitution, injunctive relief, fines, penalties, attorneys' fees, costs, or other relief) for the use of any Activation Check by the Releasees prior to the Effective Date. Notwithstanding the foregoing, the State may institute an action or proceeding to enforce the terms and provisions of this Agreed Final Judgment and Permanent Injunction or to take action based on future conduct by the Releasees. YP Corp. and Telco Billing, Inc., acknowledge that a violation of this Consent Judgment may be evidence of a violation of state law.

4. Preservation of Law Enforcement Action. Nothing herein precludes the State from enforcing the provisions of this Agreed Final Judgment and Permanent Injunction, or from

pursuing any law enforcement action with respect to the acts or practices of YP Corp. or Telco Billing, Inc., not covered by this Agreed Final Judgment and Permanent Injunction or any acts or practices conducted after the Effective Date of this Agreed Final Judgment and Permanent Injunction.

5. Compliance with and Application of State Law. Nothing in this Consent Judgment will be construed to limit the authority of the Attorney General to protect the interests of the State or the people of the State. Accordingly, nothing herein relieves YP Corp. and Telco Billing, Inc., of their continuing duty to comply with applicable laws of the State nor constitutes authorization by the State for YP Corp. or Telco Billing, Inc., to engage in acts and practices prohibited by such laws. This Consent Judgment shall be governed by the laws of the State.

6. Non-Admission. This Consent Judgment shall not be construed as, or deemed to be evidence of, an admission or concession on the part of YP Corp. or Telco Billing, Inc., of any liability or wrongdoing whatsoever, which is hereby expressly denied and disclaimed by YP Corp. and Telco Billing, Inc.

7. Past and Future Practices. Nothing herein constitutes approval by the State of YP Corp.'s or Telco Billing, Inc.'s past or future practices. YP Corp. and Telco Billing, Inc., shall not make any representation contrary to this paragraph.

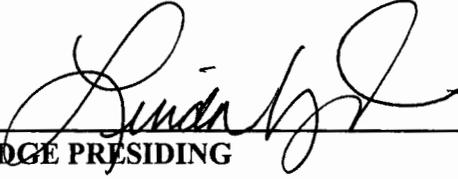
8. No Change to Substantive Rights. Nothing herein shall be construed to waive, modify or change any substantive rights of other persons or entities against YP Corp. or Telco Billing, Inc., or of YP Corp. or Telco Billing, Inc., against other persons or entities with respect to the acts and practices covered by this Agreed Final Judgment and Permanent Injunction.

9. Representations and Warranties. YP Corp. and Telco Billing, Inc., represent and warrant that they ceased the mailing of Activation Checks by 5:00 p.m. P.S.T. on October 30,

2006. YP Corp. and Telco Billing, Inc., further represent and warrant that they will implement the terms of this Consent Judgment in good faith and will advise the State of any errors or omissions in the implementation discovered by them. YP Corp. and Telco Billing, Inc., acknowledge the State's reliance on the foregoing representations.

10. Assessment of Court Costs. Any court costs which may be assessed in this action, including any filing fees or other charges, shall be assessed against YP Corp. and Telco Billing, Inc. No charges shall be assessed against the State.

SIGNED this 14 day of December, 2006.

  
\_\_\_\_\_  
JUDGE PRESIDING

REVIEWED BY:



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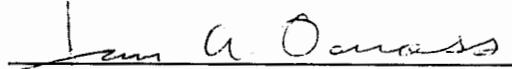
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**NOTICE OF IMPORTANT LEGAL RIGHTS**  
**(Settlement / Refund Notice)**

<Company Name>  
<Address >  
<City>, <State> <zip>  
ACCOUNT: <AccountID>

12/15/2006

**ATTENTION: Please read the following in order to preserve your rights to cancel your existing account.**

You currently have an account with us for Internet-based yellow pages advertising at our Website, YP.Com, for which you are being charged \$< > per month. This charge is being <withdrawn automatically from your business checking account> <assessed as a separate charge included as part of your monthly telephone bill><submitted to your credit card> each month. Your business or organization has made at least one payment of our monthly service fee through the above billing method.

Concerns have been expressed about whether customers intended to purchase our services. We are, therefore, writing to ensure that your company or organization intended to purchase our services. According to our records, we initially solicited your purchase by mailing you a check for slightly more than \$3.00. By depositing or cashing that check, your company or organization automatically was signed up for our Internet yellow pages advertising service.

We have reached an agreement with the Attorney General of your state in which we agreed to contact all current customers solicited through this promotion and paying their accounts through the above payment method to verify that they are aware that they are currently being billed for our services. Acceptance of this refund offer does not diminish any private legal rights you may have.

If you did not intend to purchase our Internet advertising services and were signed up by mistake and without authorization, and you desire to cancel your relationship with us, you may complete the "Cancellation and Request for Refund" portion of the enclosed form. We will refund to you the equivalent of your last two payments to us.

Please use the enclosed envelope to return your form to YP Corp, at 4840 E. Jasmine Street, Suite 105, Mesa, AZ 85205. After you complete and return the attached form, no further action will be required of you.

If you have any questions regarding this notification or offer, you may call our toll-free Customer Service Number at 1-800-300-3209.

**Please note that the deadline for postmarking a request for a refund under this offer is 2/28/2007.**

YP Corp. 4840 E. Jasmine St., Ste. 105, Mesa, AZ 85205 1-800-300-3209

EXHIBIT     A      
PAGE     1

<Company Name>  
ACCOUNT: <AccountID>

Directions: If you did not intend to purchase Internet advertising services from YP Corp. and were signed up by mistake and without authorization, then you must complete and return this Cancellation and Refund by the deadline.

**REQUEST FOR CANCELLATION AND REFUND**

I, \_\_\_\_\_, have authority to submit this Cancellation and to complete this Request for Refund on behalf of <Company Name>.

I hereby advise that <Company Name> did not knowingly purchase or authorize the purchase of a YP Corp. Internet Advertising Package or related Internet advertising services. <Company Name> desires to cancel its relationship with YP.Com and that all future billing for services provided by YP Corp be cancelled.

<Company Name> accepts the return of the equivalent of the last two payments received from us in payment of this account pursuant to this offer.

I affirm that I make the above statement of facts to the best of my knowledge and belief as to its truth.

\_\_\_\_\_  
[Signature of Authorized Individual]

**Response Instructions:** Please review and provide us with any missing or corrected contact information below so we can acknowledge your cancellation and process your request for refund.

<Company Name> \_\_\_\_\_  
<Address> \_\_\_\_\_  
<City>, <State> <Zip> \_\_\_\_\_  
<BTN> \_\_\_\_\_  
<AccountID> \_\_\_\_\_

**DEADLINE NOTICE**

To receive this offer, your response must be postmarked no later than 2/28/2007. If you have any questions regarding this notification or offer, you may call our toll-free Customer Service Number at 1-800-300-3209.

EXHIBIT     A      
PAGE     2

**SETTLEMENT WITH <STATE> ATTORNEY GENERAL  
YP Corp.  
4840 East Jasmine Street, Suite 105  
Mesa, AZ 85205**

**NOTICE OF IMPORTANT LEGAL RIGHTS**

(Settlement Notice)

<NAME OF CUSTOMER>  
<ADDRESS OF CUSTOMER>  
<ADDRESS OF CUSTOMER>