



OF NEWS RELEASE

OFFICE OF ATTORNEY GENERAL HENRY McMASTER
STATE OF SOUTH CAROLINA

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Internet Yellow Page Company Settles Lawsuit With Attorney General's Office

Columbia, S.C. - Attorney General Henry McMaster announced today that YP Corp., (doing business as YP.com) and its wholly owned subsidiary Telco Billing, Inc., have agreed to settle allegations that they engaged in deceptive business practices by using "live" activation checks to obligate businesses and organizations to pay for an enhanced listing (called an "Internet Advertising Package") on YP.com's on-line yellow page directory. The agreement is the result of an investigation by South Carolina and thirty-three (33) other states regarding YP.com's use of activation checks.

Attorney General McMaster's office will file the settlement agreement with the court, which must approve the settlement before it becomes final.

According to the terms of the settlement agreement to be filed with the court, YP Corp. has agreed to stop using activation checks as the sole device with which to obligate businesses to purchase its products and services. YP Corp. also has agreed to pay \$2,000,000.00, collectively, to the states to be used for restitution to former YP.com customers that did not understand the consequences of depositing YP.com's activation check and to reimburse the states for their investigation costs. YP Corp. also agreed to contact its current activation check customers to inform them of their right to cancel their agreement with YP.com and of their potential eligibility for at least a partial refund of monies paid to YP.com.

Between 2003 and the present, nine thousand five hundred (9,500) South Carolina businesses signed up for the service through a live activation check, and five thousand nine hundred (5,900) of those businesses canceled the service. The portion of the restitution pool directed to South Carolina is approximately \$20,000.

The states alleged that since at least January 1, 2003, YP.com sent businesses and other organizations "live" activation checks in the mail. These checks were made payable to the business or organization for a small amount, usually around \$3.50. On the back of the checks, in fine print above the endorsement line, was language stating that by depositing the check, the recipient agreed to purchase advertising from YP.com for its on-line yellow pages directory. The fine print also stated that by depositing the check, the recipient authorized YP.com (through its subsidiary Telco Billing, Inc.) to bill the monthly fees in advance, on the business's telephone bill or by debiting the amount from the bank account into which the recipient deposited the check, or by other methods. The envelope that the check was mailed in also contained YP.com advertising material.

The states' investigation revealed that some activation check recipients that deposited YP.com's checks did so without knowing that by doing so they were purchasing an enhanced on-line yellow page listing from YP.com or that they were authorizing YP.com (through its subsidiary Telco Billing, Inc.) to bill them monthly fees in advance on their telephone bill, by debit from their account, or any other method. In some of these cases, the recipient remained unaware that it was being billed by YP.com (through Telco Billing, Inc.) for several months, if not years, after it deposited the activation check.

The allegations described above that gave rise to the states' investigation have not been admitted by YP.com, and its agreement to address the states' concerns and allegations does not constitute an admission of wrongdoing by YP.Corp, YP.com, or Telco Billing, Inc.

Any South Carolina business or entity that (1) deposited an activation check from YP.com since January 1, 2003, (2) was billed for an online yellow page listing by doing so, (3) did so without understanding the consequences of depositing the check, and (4) subsequently canceled their account should contact the South Carolina Attorney General's Office at (803) 734-3970 no later than February 12, 2007, for information on how to request a refund.

Current YP.com customers who are being billed through their telephone bill or bank account for a listing and became a customer by depositing an activation check should be contacted by letter within the next two (2) weeks by YP.com. **Any customers with questions should contact the Civil Section of the Attorney General's Office at (803) 734-3970.**

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