UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark one)
T ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2006

£ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from ________ to ____________

Commission File Number: 0-24217

YP CORP.

(Exact Name of Registrant as Specified in Its Charter)

Nevada	**85-0206668**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
4840 East Jasmine Street, Suite 105, Mesa, Arizona	**85205**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (480) 654-9646

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.001 Par Value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes £ No T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No T

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 T No £

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer £ Accelerated filer £ Non-accelerated filer T

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes £ No T.

The aggregate market value of the common stock held by non-affiliates computed based on the closing price of such stock on March 31, 2006 was approximately $29,007,749

The number of shares outstanding of the registrant's classes of common stock, as of December 15, 2006, was 50,020,094 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2007 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

YP CORP.

FORM 10-K
For the year ended September 30, 2006

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PART I

Forward-Looking Statements

Part I of this Annual Report on Form 10-K, includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in Part I of this Annual Report include, but are not limited to our company's (i) belief that local exchange carrier, or LEC billing, will continue to be a significant billing channel in the future; (ii) with the discontinuance of activation checks, the expectation of increasing our future telemarketing efforts to generate new business; (iii) expectation of increasing revenues through the national accounts programs, fulfillment contracts, web hosting and other arrangements; (iv) expectation that its technologies will increase recurrent use of its system by users of its directory services; (v) belief in the growth of Internet usage and the Internet Yellow Page market as set forth in recent press releases by The Kelsey Group; (vi) belief that existing cash on hand will be sufficient to meet our needs for the next twelve months; and (vii) belief that existing facilities are adequate for its current and anticipated future needs and that its facilities and their contents are adequately covered by insurance.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in *Item 1A. Risk Factors*, as well as other factors that we are currently unable to identify or quantify, but may exist in the future.

In addition, the foregoing factors may affect generally our business, results of operations and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

ITEM 1. Business

Our Company

YP Corp., a Nevada corporation (the "Company," "we," "us," or "our") is a national Internet Yellow Pages publisher, headquartered in Mesa, Arizona. Through our wholly-owned subsidiary, Telco Billing, Inc., or Telco, located in Las Vegas, Nevada, we publish our Yellow Pages online at or through the following URL's: www.Yellow-Page.Net, www.YP.Net and www.YP.Com. Any information contained on the foregoing websites or any other websites referenced in this Annual Report are not a part of this Annual Report.

Summary Business Description

We use a business model similar to print Yellow Pages publishers. We publish basic directory listings on the Internet free of charge. Our basic listings contain the business name, address and telephone number for almost 17 million U.S. businesses. We strive to maintain a listing for almost every business in America in this format.

We generate revenues from advertisers that desire increased exposure for their businesses. As described below, advertisers pay us monthly fees in the same manner that advertisers pay additional fees to traditional print Yellow Pages providers for enhanced advertisement font, location or display. The users of our website are prospective customers for our advertisers, as well as the other businesses for which we publish basic listings. We also have arrangements with third parties to distribute our advertisers' information to other search engines, thereby enhancing our advertisers' presence on the Internet.

Products. Our primary product is our Internet Advertising Package™, or IAP. Under this package, the advertiser pays for additional exposure by purchasing a Mini-WebPage™. In order to provide search traffic to our advertiser's Mini-WebPage, we elevate the advertiser to a preferred listing status, at no additional charge. We provide our IAP advertisers with enhanced presentation and additional unique products, such as larger font, bolded business name, map directions, ease of communication between our advertisers and users of our website, a link to the advertiser's webpage, as well as other benefits.

We also offer our customers other products and services to enhance their use of the Internet, including a simple, effective, website development tool and a cost-effective Internet dial-up package. These products are described in greater detail below under *Products and Services*.

In fiscal 2006, we began providing fulfillment services for certain third parties. Under the terms of these agreements, we provide hosting and administrative services under a revenue sharing agreement with the related third party.

Marketing. Unlike most print Yellow Pages companies that sell advertising space by visiting or calling potential advertisers in their area, we solicit advertisers for our IAP product by direct mail and telemarketing.

Our direct mail marketing program historically has included a promotional incentive, generally in the form of a $3.25 activation check that a solicited business simply deposits to activate the service and become an IAP advertiser on a month-by-month basis. In response to a number of inquiries from state regulatory agencies, we voluntarily entered into an agreement to cease the use of these activation checks.

In fiscal 2006, we began acquiring new customers via telemarketing campaigns, for whom our monthly billing rates are higher than for those acquired through other means. With the discontinuance of activation checks, we expect to increase our future telemarketing efforts to generate new business. Additionally, we are testing other marketing channels, developing new product offerings and exploring other strategic partnerships to generate future revenues.

Billing. Similar to the local Regional Bell Operating Companies, we are approved to bill our products and services directly on some of our advertisers' local telephone bill through their local exchange carrier, or LEC, commonly referred to as their local telephone company. We believe that this is an efficient and cost-effective billing method as compared to direct billing methods. However, during the fourth quarter of fiscal 2004, several of these LECs changed their internal policies regarding the use of activation checks as the letter of authorization that allows us to bill our products and services directly on our advertisers' local telephone bill. We therefore began to convert many of our advertisers to billing via recurring direct bank account withdrawal options through an Automated Clearing House, or ACH billing, which is an efficient and cost-effective billing alternative to LEC billing. This transition to ACH billing continued through fiscal 2005. In fiscal 2006, we began acquiring new customers via telemarketing campaigns, which are allowed to be billed via LECs. These telemarketing campaigns have revitalized certain LEC billing channels. See *Item 7: Management's Discussion and Analysis of Financial Condition and Operating Results - Executive Overview* for a more detailed description of these changes and the impact they have had on our business and operations.

Benefits to Advertisers. RH Donnelley indicated in its 2004 report that the Internet is the future of the Yellow Pages. For advertisers, we believe that online Yellow Pages provide significant competitive advantages over existing print directories. For example, the ability of online advertisers to access and modify their displays and advertisements often results in more current information. Additionally, online advertisers can more readily advertise temporary or targeted specials or discounts. We provide added value to advertisers that have purchased our IAP through promotion and branding of our website to bring customers to our advertisers. We believe that the large number of IAPs, which include the Mini-WebPages, provide users of our website with more information about our advertisers and that this feature is more readily available on our website than that of our competitors. We believe that we provide users of our website with the information they are looking for, more quickly and more efficiently. We believe our call center provides the highest level of customer service and therefore provides IAP advertisers with the necessary resources to fully utilize the benefits of the IAP. We also believe the attraction of these users will, over the long-term, result in more sales for our IAP advertisers.

Moreover, we provide additional value through our relationships. We provide the majority of our IAP advertisers additional exposure by circulating their listings to other search engines. The circulated listing competes for appearance in search results across the Internet through a paid advertising agreement with Interchange Corp, who in turn circulates listings to destinations such as epilot.com and local.com. Interchange has agreements with approximately 300 search partners with over 3 billion searches per month to display advertising. We also have an agreement with Yahoo! Search Services to improve our IAP advertisers' appearance in search results at several high-profile sites including www.msn.com, www.altavista.com, www.cnn.com and www.infospace.com. In addition to our paid advertising programs, our preferred listings are syndicated to community portals at www.mycity.com. MyCity.com has a national network of online city guides, focused on delivering local search results.

Benefits to Users of our Website. We are a national online Yellow Pages. Users of our website can access information nationally rather than relying exclusively on local listings such as those provided in print Yellow Pages directories. In addition, our product offerings allow users to find and take advantage of our advertisers' current special offerings and discounts. Users can access such information easily through their desktop or laptop computers, cellular telephones or hand-held devices, such as personal digital assistants. We believe our offering of a national online Yellow Pages service meets the growing demand for immediate access and the increasing need and trend of Internet users who are more frequently traveling to areas outside the areas serviced by their local print directories. We also believe that our website meets or exceeds the local Yellow Page search capabilities of our major competitors.

Directory Service and Search Engine. We believe that our products offer many competitive advantages over standard search engines. Our directory service and search engine format allows a user of our website to search by location using either a business name or business category. Unlike popular commercial search engines, our search engine does not search the Internet to provide results. Instead, it searches our defined database, resulting in a more focused, refined and, typically, quicker and more accurate search.

Products and Services

For those advertisers that want additional exposure for their businesses or desire to take full advantage of connectivity to the World Wide Web, we offer several products and services for a fee.

Internet Advertising Package. Our primary product is our Internet Advertising Package, or IAP. Under this package, the advertiser pays for additional exposure by purchasing a Mini-WebPage. This Mini-WebPage contains, among other useful information, a 40-word description of the business, hours of operation, and detailed contact information. The advertiser can easily access and modify its Mini-WebPage. This product is easily searched by users of our website on their personal computers, as well as cellular telephones and other hand-held devices. In order to provide search traffic to an advertiser's Mini-WebPage, we elevate the advertiser to a preferred listing status at no additional charge. As such, the preferred advertiser enjoys the benefit of having its advertisement displayed in a primary position before all of the basic listings in that particular category when users of our website perform searches on our website. We also provide our IAP advertisers with enhanced presentation and additional unique products, including:

- Larger font.
- Bolded business name.
- A "tagline" whereby the advertiser can differentiate itself from its competitors.
- An audio advertisement.
- Map directions.
- A Click2Call™ feature, whereby a user of our website can place a telephone call to one of our advertising customers by clicking the icon that is displayed on the Mini-WebPage. This initiates a telephone call by the advertiser to the user, in a conference call type format. Once both are connected, it functions as a regular telephone call. Because we cover all charges for this telephone call, it is free of charge to both the user and the IAP advertiser. We have an agreement with WebDialogs, Inc. to provide this service.
- A link to the advertiser's own webpage and email address.
- Additional distribution network for preferred listings. This feature gives additional exposure to our IAP advertisers by placing their preferred listing on several online directory systems. There currently is no charge to the IAP advertiser for these additional channels of distribution.

Our IAP advertisers generally pay between $27.50 and $39.95 per month. Our IAP and the Internet Dial-Up Package described below account for over 99% of our net revenues.

Internet Dial-Up Package™. We also offer all of our IAP advertisers a cost-effective and efficient Internet dial-up package to take advantage of the benefits offered by on-line access. This allows our advertisers that do not have Internet access to take full advantage of the IAP and QuickSite packages that we offer. In most instances, we offer this service bundled with our IAP service for between $29.95 and $39.95 per month. In some regions, we only offer the bundled product and not an IAP standalone product.

Online QuickSite Package™. For those IAP advertisers that do not have their own website and that desire to provide more information than is offered through the IAP Mini-WebPage, we will design and create an eight page, template-driven website for the advertiser. This is known as a QuickSite™. Once set up, the advertiser can access its new QuickSite online and make modifications at its discretion. This essentially serves the same function as display advertisements in print Yellow Pages books, except that it can be changed more often to meet the advertiser's needs. Users of our website can access these QuickSites on the World Wide Web or from the advertiser's preferred listing or Mini-WebPage. Currently, this product accounts for less than 1% of our net revenues.

Fulfillment Services. Beginning in fiscal 2006, we began entering into contracts with several third parties whereby we provide hosting, customer service and certain administrative functions under a revenue sharing agreement. We believe these agreements allow us to increase operational efficiencies and expand our customer base.

Billing

Our billing process allows us to deliver high levels of service to our customers through convenient and timely billing and payment options. We currently bill our advertisers through (i) their LEC, (ii) ACH billing, (iii) their credit card or (iv) direct bill invoices.

Until the end of fiscal 2004, we historically billed the majority of our advertisers via their LEC. However, during the fourth quarter of fiscal 2004, several of the LECs changed their internal policies regarding the use of activation checks as the letter of authorization that would allow us to bill our products and services directly on our advertisers' local telephone bill. In fiscal 2006, we began acquiring new customers via telemarketing campaigns, which are allowed to be billed via LECs. These telemarketing campaigns, together with our fulfillment contracts, have revitalized certain LEC billing channels. See *Item 7: Management's Discussion and Analysis of Financial Condition and Operating Results - Executive Overview* for a detailed description of these changes and the effects they have had and will continue to have on our financial condition and results of operations.

During fiscal 2004, we began converting many of our advertisers to ACH billing, which is an efficient and cost-effective billing method and has a faster collection time than LEC billing. However, it was time-consuming and labor-intensive to convert customers from one billing channel to another and resulted in missed billings and customer cancellations. While ACH billing is a cost-effective billing method, many of our customers prefer LEC billing. Therefore, many of our existing marketing programs, including our telemarketing campaign, offer LEC billing as a payment option. We expect that LEC billing will continue to be a significant billing channel in the future.

In cases where other billing methods, including LEC billing, ACH billing and recurring credit card charges, are unavailable or instances where the customer requests that we bill them directly, we utilize direct bill invoices. Direct billing has a higher percentage of uncollectible accounts than other billing methods and, therefore, is our least attractive billing option.

Billing Service Agreements. In order to bill our advertisers through their LECs, we are required to use one or more billing service aggregators. These aggregators have been approved by various LECs to provide billing, collection, and related services through the LECs. Under these agreements, our service aggregators bill and collect our charges to our advertisers through LEC billing and remit to us the proceeds, net of fees, bad debt expense, customer returns, and unbillable accounts, typically within 90 days of submission.

We also use billing service providers to process our ACH billings. These service providers process direct bank withdrawals through an Automated Clearing House and remit the proceeds, net of fees and refunds to advertisers that cancel their service, typically within 15 days of settlement.

Under our contractual agreements with our LEC billing service aggregators and our ACH service providers, these third-parties are entitled to withhold certain amounts from our net proceeds to serve as a security deposit or “holdbacks” or “reserves.” In the case of LEC billing aggregators, such amounts are generally remitted to us over a 12-18 month period, depending on the terms of the respective agreements. ACH processors maintain a rolling reserve based on average monthly volume.

During 2005, in an effort to reduce our concentration of credit risk with any single third-party, we engaged the services of additional service providers. We currently utilize three LEC billing aggregators and two ACH service providers. This reduced our concentration of gross accounts receivable with any single vendor from approximately 65% at the end of fiscal 2005 to approximately 31% at the end of fiscal 2006.

Pricing

We generally price our IAP product between $27.50 and $39.95 per month, which includes all of the service benefits previously described. We believe that these prices are comparable to the prices of our competitors and we believe that our site provides superior value to our advertisers when considering the many benefits that they receive, including the Click2Call feature, the Mini-WebPage, mapping directions, links to the advertiser websites, and the speed and ease of use of our website.

Our pricing advantage is significant when compared with printed Yellow Pages. For a Yellow Pages listing with comparable information content, an advertiser would typically pay over $200 per month. This listing in the printed Yellow Pages would include a business description of comparable size to our IAP offering but would lack our Click2Call feature, mapping directions, and link to the advertiser’s website. Our online Yellow Pages provide significant flexibility in terms of changing content and adding special informational items at any time throughout the year. Advertisers in printed Yellow Pages are limited by the publishers’ infrequent re-publication schedule if they desire to change their advertisement.

Marketing

Unlike most print Yellow Pages companies that sell advertising space by visiting or calling potential advertisers in their area, we solicit advertisers for our IAP product by direct mail and telemarketing.

Direct Mail Solicitation. Our direct mail marketing solicitation is made up of several pages that describe in detail our products, services, pricing, sign-up instructions, and billing alternatives. Until recently, we included in this solicitation a promotional sign-up incentive, generally in the form of a $3.25 activation check made payable to the name of the solicited business.

We have received numerous inquiries from the attorney general offices of several states investigating our promotional activities, specifically, the use of our check mailer for customer activation. In December 2006, we voluntarily entered into a settlement with thirty-four states’ attorneys general to address their inquiries and bring finality to the process. Under this settlement, we have voluntarily agreed to the following:

- We will pay a settlement fee of $2,000,000 to the state consortium, which they may distribute among themselves;
- We will discontinue the use of activation checks as a promotional incentive;
- We will suspend billing of any active customer that was acquired in connection with the use of an activation check until a letter is mailed notifying the customer of their legal rights to cancel the service and providing them a 60-day opportunity to receive a refund equivalent to the customer’s last two payments; and
- We will not employ any collection efforts with respect to past-due accounts of customers that were secured through the use of an activation check, nor will we represent our ability to do so.

This settlement limits our exposure to significant legal fees and costs that may have been otherwise incurred had we decided to dispute these inquiries. Further, we had been transitioning a significant amount of our marketing efforts away from the use of activation checks toward the use of telemarketing and other marketing channels during 2005 and 2006. This settlement accelerates this transition away from the use of activation checks and focuses our marketing efforts toward improving the effectiveness and efficiency of our telemarketing campaigns and other marketing efforts.

Telemarketing. During the fourth quarter of fiscal 2005, we began testing our telemarketing sales campaign. In fiscal 2006, this campaign went into full production and we utilized multiple third parties to make outbound calls to potential customers using a marketing list that we provide. We pay these third parties a combination of hourly rates and commissions.

When soliciting a new customer, we offer a variety of payment options, including LEC billing, ACH billing, and credit card prepayments.

Marketing List Generation. To generate the leads for our telemarketing efforts and to continually update our billing records, we purchase business directory information from some of the largest information providers in the North American market: Qsent, InfoUSA, and Amacai. We refer to each information provider's list of business listings as a data set. Each data set consists of 10-19 million records with each record composed of several attributes, such as company name, address, employment range, telephone number, United States Standard Industrial Classification, or SIC code, and Standard Yellow Pages Heading, or SYPH code. While SYPH codes are proprietary to many vendors, we believe our fluency in multiple industrial classifications and the additional cost and effort of acquiring data from several sources gives us a competitive edge over companies that purchase data from only a single provider of information or a provider that does not verify the accuracy of the information for each business listing.

We continue to evaluate the accuracy of data provided to us by our information providers and continuously expand our list of information providers as necessary in order to generate an accurate database of potential customers. We believe the quality of a lead from each information provider's data set cannot be evaluated by business count alone. We consider other factors including overall quality, duplicates, out of business records, and records without telephone numbers. Each information provider verifies the information for each business listing differently. For example, some will attempt to verify information for each business by telephone while others will attempt to verify by using a United States Postal Service Certified Address Standardization process for converting addresses to a standard zipcode-4 format required to qualify for lower bulk mailing rates.

Other Marketing Efforts. We utilize our expertise and experience as an Internet Yellow Page company to identify other marketing opportunities. Through our referral networks, we have generated revenue from national accounts programs (whereby revenues are generated on a "per click" basis), fulfillment contracts, web hosting and other arrangements. We also have entered into various marketing arrangements with other businesses whereby we pay commissions based on sales leads and revenue generated from these businesses. To date, such commissions have not been material. We evaluate such business opportunities on a case-by-case basis and expect to expand future revenues from such marketing efforts.
During fiscal 2006, we suspended the majority of our branding activities. Whereas in the past we have tried to drive traffic to our site, YP.com, changes in the competitive landscape have made it difficult to compete with local search engines that are significantly larger than us. We now focus on driving high quality traffic to our IAP advertisers through our agreements with local search engines and affiliates. For example, through our agreements with Yahoo! Search Services and Interchange, a searcher can find our advertisers in the results of their search at destinations other than YP.com. We believe that this distribution strategy provides greater value to our IAP advertisers than merely branding the YP.com site as a search destination.

In July 2003, we entered into a licensing agreement with a vendor to license the use of the URL www.yp.com in exchange for cash and restricted shares of our common stock. Under the terms of this agreement, the licensor had the option of transferring the rights to the URL and the restricted shares to us in exchange for $300,000. In July 2006, the licensor exercised this option, and transferred ownership of the URL and the restricted shares to us. As this option was deemed to be a purchase commitment, no liability was reflected in our financial statements prior to the exercise of the option. We capitalized the URL at its net acquisition price, computed as the $300,000 cash payment less the fair market value of the shares acquired (determined based on the stock price on the date of reacquisition) and we are amortizing this asset on a straight-line basis over its estimated useful life.

Technology and Infrastructure

We have developed technologies to support the timely delivery of information requested by a user of our online Yellow Pages system. A staff of senior engineers experienced in large-scale system design and computer operation develops and maintains the technology. We believe we are particularly adept at large-scale database management, design, data modeling, operations and content management.

To focus on a quality and timely product, we have divided our technology staff and technology base into a business operations unit and an advanced technologies group dedicated to our directory services product. Our business operations support a sophisticated call center, automated billing of our customers, customer relationship management, and automated mailing campaign. Our advanced technologies group supports all programming and other systems enhancements to the YP website and internal systems. These operations are described in the following paragraphs.

YP.Com. The front end of our directory services and the showcase of our technology and marketing capabilities is our website, YP.Com. The YP.Com website currently is in its sixth generation of development. We develop ongoing enhancements to our website on a recurring schedule to meet the increased demand for our services and products. Our YP.com website provides several key and easy to use features, including timely information, simple search, search tips, reverse telephone number lookup, mapping, and residential and business directory listings.

Database Management Systems. At the core of our infrastructure are several high-performance and proprietary database systems containing several terabytes of data representing billions of records with hundreds of attributes each, such as business name, telephone number, address, number of employees, and our unique-to-the-industry 40-word description of the business. We maintain the data for internal operations on high-performance servers and with large-scale storage systems at our Mesa, Arizona facility, which is co-located with our call center operation and technology teams. To meet the demand for our products and services and to provide the highest level of reliability, we employ technologies and techniques providing data redundancy and clustering. Clustering is the use of several computers deployed in a manner that provides redundancy and additional computer processing power.

High-Performance Database and Search Engine. We believe we provide one of the most complete and high-performing directory services in the market today. Our proprietary database enables us to collect and merge data from multiple sources to provide extensive and accurate content for our users. With our xDirectory™ and DirectXML™ technologies, we provide spellchecking, synonym matching, automated content delivery, and multiple source data merging in a simple to use paradigm. We believe these technologies simplify the search process and provide the most relevant content to suit our customers' and users' needs. Ultimately, we expect these technologies to increase recurrent use of our system by users of our directory services.

xDirectory. xDirectory is the platform for our high-performance database and search engine. xDirectory is a proprietary content management system and repository for extensible data merged from multiple sources of North American listing data. xDirectory also serves as a platform for several proprietary features, including real-time search feedback on accuracy, search time, spellchecking, synonym matching, geographical positioning, automated content syndication, and the proprietary algorithms to perform listing data match-up and merging into a uniquely accurate record.

DirectXML. DirectXML is the technology that supports our content syndication program and distribution network. DirectXML integrates our proprietary content management system with our distribution network to deliver up-to-date syndicated content. DirectXML leverages the XML standard for the definition, interoperability, transmission, validation, and interpretation of data between systems and organizations.

Extensible Record. We purchase data from some of the largest information providers in North America and merge that data with our extensive in-house customer data set to form what we believe is the largest and most comprehensive content in the market. This effort provides users of our directory services the greatest number of results per search. Our xDirectory platform has the unique ability to weigh the accuracy of a wide variety of attributes from the source record for inclusion into the merged record. xDirectory's proprietary algorithm for identifying accurate information and removing inaccuracies during the merge process is complemented by our customer verification process that confirms the attributes of a given customer record.

Content Syndication, Distribution, and Private Label Networks. We add value by increasing our IAP advertisers' visibility by providing automated conduits and content delivery to numerous search engines besides our own. We can deliver content both on the Internet and on mobile devices such as cell phones and personal digital assistants. Our market position and volume allows us to provide content to any of our strategic alliances, as discussed elsewhere in this Annual Report, at a cost below what would be accomplished if one were to attempt to duplicate our content and distribution network. We have further enhanced the capabilities of this global distribution network with our DirectXML technology, which provides high-volume automated record updates daily to our distribution partners and private-label customers.

Billing Operation. Our billing process is executed using a two-tier architecture that consists of foundation and business platforms. Our foundation platform is anchored with Microsoft® as the primary partner leveraging their SQL Server product line. This alliance aligns us technically with a stable industry standard with proven scaling ability to meet our growth needs. System stability is enabled through built-in design features including high availability, simplified database administration and security features. Our business applications tier rests on a program suite that consists of partner-provided utilities and our own utilities developed specifically to our billing process. By having development abilities in-house, we have control over our application, which allows us greater flexibility, greater security and reduced dependency on an external entity. These programs also reduce LEC submittal fees by cleaning our customer billing submittals prior to formal submission. They also optimize which provider best suits our needs in order to maximize profit potential.

Call Center Operation. We use sophisticated call center technologies to support teams dedicated to servicing customer needs, managing the provisioning of new customers and selling additional services to existing customers. The call center operation is built around a high-volume telephone switch and sophisticated applications that manage, distribute, and analyze workload across and between call center representatives. Since our call center is staffed five days a week, an automated call attendant is employed only after hours, on weekends or during holidays.

Site Design and Facilities. We implement our website on a set of large-scale, high-performance Unix servers with accompanying large-scale storage subsystems that are organized into layers and groups. Each layer and group provides different functionality across the site. We organize the site to allow the integration of new information and functionality without any interruption of service. To ensure our site remains continuously available to our users, we house the site at environmentally controlled co-location facilities geographically distributed and repeated between three locations in Arizona and Nevada. XO Communications, a leader and national provider of telecommunications services and facilities, provides the co-location services. The co-location facilities are interconnected by a high-performance, scalable and highly-reliable state-of-the-art fiber data network.

Mailing List Generation. The technology for generating a mailing list is comprised of a proprietary application and three primary databases for generating a mailing list of leads. On a monthly basis our information providers send us leads in an electronic format for integration into a database. After data has been refreshed in each provider database, our proprietary application performs a comparison-and-merge process between data sets. The proprietary algorithm within our application improves the quality of the record by verifying the accuracy of the information for every business listing sent to us. We compare information from each information provider to determine matching records, unique records, and the method employed to verify the information for each business listed in order to gauge the accuracy for each respective information provider. A unique record is one that exists only in a single provider's data set. The number of unique records varies from month to month and is one of the reasons we purchase from multiple sources. Following the merge process, our proprietary mailing application employs a sophisticated filtering process to determine address accuracy and facilitate the delivery of the solicitation mailer. Ultimately, the application generates an electronic file containing a list of leads with the name, address of the lead and type of business of each lead. We then send the list to our service provider for printing and mass mailing.

The Internet Yellow Pages Market

According to The Kelsey Group and the Yellow Pages Integrated Media Association, or YPIMA, while there are approximately 200 major U.S. Yellow Pages print publishers, an increasingly mobile and computer-sophisticated population is accessing the Yellow Pages by way of the Internet at a sharply increasing rate.

According to a July 2005 press release from The Kelsey Group, 8% of advertisers indicated that they were likely to spend more money on Internet Yellow Pages this year, up from 2% one year ago. Among the media tracked by this study—print and Internet Yellow Pages, newspapers, direct mail, magazines, radio, outdoor, coupons, local TV, Web site, search engine key word optimization, e-mail, online city guides, pay-per-click—only Internet Yellow Pages showed a statistically significant jump. Internet Yellow Pages advertising is expected to grow to an estimated $1.3 billion by 2009, an estimated annual growth rate of 19% from 2003.

Internet Yellow Pages provide the following advantages over print Yellow Pages:

- More current and extensive listing information.
- Immediate access to business listings across the nation from any location.
- Broad accessibility via computers and hand-held devices, such as mobile phones and personal digital assistants.
- Features such as mapping, direct calling to the advertiser, and e-mail at the click of a button also may be available.

Internet Yellow Pages also offer lower costs for a given level of content and the ability to easily access and modify displays and advertisements, which allows for opportunistic or targeted specials or discounts.

Internet usage, in general, has increased dramatically in recent years. According to Internet World Stats, 69.3% of the United States population uses the Internet, a growth of 117.3% from 2000 to 2006. Search engines are a common method by which these users navigate the Internet. Our expanding distribution network seeks to allow our advertisers to benefit from this growth by receiving prominent placement in search engine results.

Strategic Alliances

In order to service users of our website more effectively and to extend our brand to other Internet sources, we have entered into strategic relationships with business partners that offer content, technology, and distribution capabilities. The following are descriptions of our most significant strategic relationships:

- We have cross-marketing arrangements with reciprocal linking of websites without any compensation to either party. These arrangements increase the page views for our advertisers' listings by being listed on the linked websites. During 2006, the number of websites providing such links to YP.com fluctuated between 300 and 400 websites. These co-promotional arrangements typically are terminable on a monthly basis.

- We have a distribution agreement with Interchange to increase the page views for our advertisers' listings by displaying our advertisers' information in the search results of their affiliate sites.

- We have a license agreement with Palm, Inc. whereby we pay a fee to be a provider of Yellow Pages content on hand-held devices using the Palm operating system. We provide this content to Palm through a hypertext link from the Palm operating system to our website.

- We have an agreement with Yahoo! Search Services to provide visibility to our website so that we can provide traffic to our advertisers. In exchange for monthly fees, Yahoo! Search Services tries to ensure that our website will be one of the highest placed sites when Yellow Pages searches are done on major search engines, such as MSN® and Yahoo®.

- We utilize WebDialogs in a co-promotional effort to provide automatic dialing services to our website users. These services allow these users to place a call to one of our IAP advertisers by simply clicking a button. This function powers our Click2Call feature.

We are members of the Yellow Pages Association (fka Yellow Pages Integrated Media Association) and the Association of Directory Publishers and have been since 1998. These organizations are trade associations for Yellow Pages publishers or others that promote the quality of published content and advertising methods.

Customer Service

We believe that superior customer service is an important factor in differentiating ourselves from our competitors. To meet this objective, our customer service department is comprised of four main departments - inbound, outbound, quality assurance and administration.

Inbound Call Center. Our call center supports incoming calls from our advertisers for all of our products. The inbound customer service representatives, or CSRs, are responsible for taking calls regarding billing, technical service and general questions. The CSRs are empowered to activate new accounts, adjust accounts with credits, accept payments, change the billing method, and cancel accounts. Our proprietary CSR software is tiered in order to limit the actions taken with an advertiser's account, depending on the CSR's position. If a CSR is unable to accommodate the advertiser's request, the CSR transfers the call to a supervisor to ensure the customer is satisfied. Requests beyond those a supervisor can handle are given to a department manager or our quality assurance personnel. The CSRs have the ability to update advertiser's accounts by adding or changing a Mini-WebPage, changing hours of operation, changing the business category, and adding the link to the advertiser's website and email. After the CSR makes the requested changes, the new information will appear on our website within two business days, enabling the advertiser to make timely changes to their listing. The inbound customer call center is generally staffed five days a week.

Outbound Calling. We established the outbound call center to help our IAP advertisers receive the full benefit for the advertising they purchased. The outbound CSRs primarily call new advertisers. They confirm the sale and, in the case of a new advertiser, they obtain the information to build the advertiser's Mini-Webpage. After the outbound CSR speaks with the advertiser and obtains all the information for the advertiser's listing, that listing is then sent to our proofreaders. Every listing that is updated is proofread prior to being placed on our site. This additional step ensures that our advertisers are represented professionally and accurately to their customers. Since our outbound CSRs only call existing or new advertisers, we are not affected by the "National Do Not Call" list.

Quality Assurance. The goal of our quality assurance personnel is to monitor inbound and outbound calls, take calls transferred from CSRs, perform customer satisfaction surveys, and make test calls into our customer care line on a random basis.

In addition to the quality assurance representatives, we have a training supervisor whose responsibility is to produce and distribute training material to the entire call center to ensure consistent information is provided to all departments.

Administration. The purpose of our administration department is to provide our customers with timely feedback when requested through the mail, e-mail or by facsimile. In addition to the CSRs answering incoming calls, we have individuals trained to assist customers via email. Our website and our incoming greeting on the telephone give our customers and our website users our email address. We review these emails daily and generally reply within two business days. We have found that many advertisers prefer to email us with their changes and are very satisfied with our response time and ability to respond to their request. The administration department receives, sorts, and distributes all incoming and outgoing mail. They also are responsible for filing the hard copies of the cashed incentive checks. All information that is sent to our advertisers or potential customers by the call center is routed through the administration department in order to ensure that accurate and consistent information is sent.

Competition

We operate in the highly competitive and rapidly expanding and evolving business-to-business Internet services market. Our largest competitors are LECs, which are generally known as local telephone companies, and national search engines such as Yahoo! and Google that have recently expanded their presence in the local search market. We compete with other online Yellow Pages services, website operators, advertising networks, and traditional offline media, such as traditional Yellow Pages directory publishers, television, radio, and print share advertising. Our services also compete with many directory website production businesses and Internet information service providers.

The principal competitive factors of the markets in which we compete include personalization of service, ease of use of directories, quality and responsiveness of search results, availability of quality content, value-added products and services, and access to end-users. We compete for advertising listings with the suppliers of Internet navigational and informational services, high-traffic websites, Internet access providers, and other media. This competition could result in significantly lower prices for advertising and reductions in advertising revenues. Increased competition could have a material adverse effect on our business.

Many of our competitors have greater capital resources than we have. These capital resources could allow our competitors to engage in advertising and other promotional activities that will enhance their brand name recognition at levels we cannot match. The LECs and national search engines have advantages in terms of brand name recognition.

We believe that we are in a position to successfully compete in these markets due to the speed of our local search engine, the comprehensiveness of our database, the effectiveness of marketing programs and the effectiveness of our distribution network. We further believe that we can compete effectively by continuing to provide quality services at competitive prices and by actively developing new products and services for customers.

We believe our listings and our Mini-WebPages provide users of our website with readily available information that is easy to understand and from which they can make their buying decisions. We believe that our calling center is a competitive advantage. Through our calling centers, we continually receive and process requests to update customer information on our website and, accordingly, we believe our site contains more useful and timely information than that of our competitors. We further believe that this, in turn, will translate into more page views and advertisers.

Employees

As of September 30, 2006, we engaged 76 full-time and 3 part-time employees. Such employees are not covered by any collective bargaining agreements.

ITEM 1A. Risk Factors

An investment in our common stock involves a substantial degree of risk. Before making an investment decision, you should give careful consideration to the following risk factors in addition to the other information contained in this report. The following risk factors, however, may not reflect all of the risks associated with our business or an investment in our common stock. Accordingly, you should only consider investing in our common stock if you can afford to lose your entire investment.

Risks Related to Our Business

We face intense competition, including from companies with greater resources, which could adversely affect our growth and could lead to decreased revenues.

Several companies, including Google, Microsoft, Verizon, and Yahoo, currently market Internet Yellow Pages or local search services that directly compete with our services and products. We may not compete effectively with existing and potential competitors for several reasons, including the following:

- some competitors have longer operating histories and greater financial and other resources than we have and are in better financial condition than we are;
- some competitors have better name recognition, as well as larger, more established, and more extensive marketing, customer service, and customer support capabilities than we have;
- some competitors may supply a broader range of services, enabling them to serve more or all of their customers' needs. This could limit our sales and strengthen our competitors' existing relationships with their customers, including our current and potential IAP advertisers;
- some competitors may be able to better adapt to changing market conditions and customer demand; and
- barriers to entry are not significant. As a result, other companies that are not currently involved in the Internet-based Yellow Pages advertising business may enter the market or develop technology that reduces the need for our services.

Increased competitive pressure could lead to reduced market share, as well as lower prices and reduced margins for our services. If we experience reductions in our revenue for any reason, our margins may continue to decline, which would adversely affect our results of operations. We cannot assure you that we will be able to compete successfully in the future.

Our success depends upon our ability to establish and maintain relationships with our advertisers.

Our ability to generate revenue depends upon our ability to maintain relationships with our existing advertisers, to attract new advertisers to sign up for revenue-generating services, and to generate traffic to our advertisers' websites. We primarily use direct marketing efforts to attract new advertisers. These direct marketing efforts may not produce satisfactory results in the future. We attempt to maintain relationships with our advertisers through customer service and delivery of traffic to their businesses. An inability to either attract additional advertisers to use our service or to maintain relationships with our advertisers could have a material adverse effect on our business, prospects, financial condition, and results of operations.

If we do not introduce new or enhanced offerings to our advertisers and users, we may be unable to attract and retain those advertisers and users, which would significantly impede our ability to generate revenue.

We will need to introduce new or enhanced products and services in order to attract and retain advertisers and users and to remain competitive. Our industry has been characterized by rapid technological change, changes in advertiser and user requirements and preferences, and frequent new product and service introductions embodying new technologies. These changes could render our technology, systems, and website obsolete. We may experience difficulties that could delay or prevent us from introducing new products and services. If we do not periodically enhance our existing products and services, develop new technologies that address our advertisers' and users' needs and preferences, or respond to emerging technological advances and industry standards and practices on a timely and cost-effective basis, our products and services may not be attractive to advertisers and users, which would significantly impede our revenue growth. In addition, our reputation and our brand could be damaged if any new product or service introduction is not favorably received.

Our quarterly results of operations could fluctuate due to factors outside of our control.

Our operating results have historically fluctuated significantly and we have experienced recent declines in net revenues and operating profits. We could continue to experience fluctuations or continued declining operating results due to factors that may or may not be within our control. Such factors include the following:

- fluctuating demand for our services, which may depend on a number of factors including
    - changes in economic conditions and our IAP advertisers' profitability,
    - varying IAP advertiser response rates to our direct marketing efforts,
    - our ability to complete direct mailing solicitations on a timely basis each month,
    - changes in our direct marketing efforts,
    - IAP advertiser refunds or cancellations, and
    - our ability to continue to bill through LEC billing, ACH billing or credit card channels rather than through direct invoicing;
- market acceptance of new or enhanced versions of our services or products;
- price competition or pricing changes by us or our competitors;
- new product offerings or other actions by our competitors;
- the ability of our check processing service providers to continue to process and provide billing information regarding our solicitation checks;
- the amount and timing of expenditures for expansion of our operations, including the hiring of new employees, capital expenditures, and related costs;
- technical difficulties or failures affecting our systems or the Internet in general;
- a decline in Internet traffic at our website;
- the cost of acquiring, and the availability of, information for our database of potential advertisers; and
- the fixed nature of a significant amount of our operating expenses.

The loss of our ability to bill IAP advertisers through our Local Exchange Carriers on the IAP advertisers' telephone bills would adversely impact our results of operations.

We rely heavily on our ability to bill advertisers on their telephone bills through their respective Local Exchange Carriers, or "LECs." LEC billing has steadily increased in recent quarters and accounted for 64% of net billings in the fourth quarter of 2006.

The existence of the LECs is the result of Federal legislation. In the same manner, Congress could pass future legislation that obviates the existence of or the need for the LECs. Additionally, regulatory agencies could limit or prevent our ability to use the LECs to bill our advertisers. The introduction of and advancement of new technologies, such as WiFi technology or other wireless-related technologies, could render unnecessary the existence of fixed telecommunication lines, which also could obviate the need for and access to the LECs. Finally, we have historically been affected by the LECs' internal policies. With respect to certain LECs, such policies are becoming more stringent. Our inability to use the LECs to bill our advertisers through their monthly telephone bills would result in increased dilution and decreased revenues and would have a material adverse impact on our financial condition and results of operations.

Our revenue may decline over time due to the involvement of the CLECs in the local telephone markets.

Due to competition in the telephony industry, many business customers are finding alternative telephony suppliers, such as Competitive Local Exchange Carriers, or CLECs, that offer less expensive alternatives to the LECs. When the LECs effectuate a price increase, many business customers look for an alternative telephone company, which may be a CLEC. When our advertising customers switch service providers from the LECs to a CLEC, we are precluded from billing these customers on their monthly telephone bill and must instead convert them to alternative billing methods such as ACH billing or direct invoicing. This conversion process can be disruptive to our operations and result in lost revenue. We cannot provide any assurances that our efforts will be successful. We may experience future increases in dilution of our customer base that we are able to bill on their monthly telephone bills, which, in turn, may result in decreases in our revenue.

The loss of our ability to bill IAP advertisers through our ACH billing channel would adversely impact our results of operations.

We bill a significant number of our IAP advertisers through our ACH billing channel. ACH transactions are closely regulated by NACHA - The Electronic Payments Association, which develops operating rules and business practices for the Automated Clearing House (ACH) Network and for electronic payments in the areas of Internet commerce and other electronic payment means. Changes in these rules and business practices could compromise our ability to bill a significant number of our advertisers through ACH billing, and we would have to transition these advertisers to other billing channels. Such changes would be disruptive and result in lost revenue.

We depend upon our executive officers and key personnel.

Our performance depends substantially on the performance of our executive officers and other key personnel. The success of our business in the future will depend on 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 personnel could have a material adverse effect on our business, results of operations or financial condition. We do not maintain key person life insurance on the lives of any of our executive officers or key personnel.

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. In addition, market conditions may require us to pay higher compensation to qualified management and technical personnel than we currently anticipate. Any inability to attract and retain qualified management and technical personnel in the future could have a material adverse effect on our business, prospects, financial condition, and results of operations.

Our ability to efficiently process new advertiser sign-ups and to bill our advertisers monthly depends upon our third party service providers and billing aggregators and processors, respectively.

We currently use third party service providers to provide us with advertiser information at the point of sign-up for our Internet Advertising Package. Our ability to gather information to bill our advertisers at the point of sign-up could be adversely affected if one or more of these providers experiences a disruption in its operations or ceases to do business with us.

We also depend upon our billing aggregators and service providers to efficiently bill and collect monies through our LEC billing and ACH billing channels. We currently have agreements with three billing aggregators and two ACH service providers. Any disruption in these third parties' ability to perform these functions could adversely affect our financial condition and results of operations.

We depend upon third parties to provide certain services and software, and our business may suffer if the relationships upon which we depend fail to produce the expected benefits or are terminated.

We depend upon third-party software to operate certain of our services. The failure of this software to perform as expected would have a material adverse effect on our business. Additionally, although we believe that several alternative sources for this software are available, any failure to obtain and maintain the rights to use such software would have a material adverse effect on our business, prospects, financial condition, and results of operations. We also depend upon third parties to provide services that allow us to connect to the Internet with sufficient capacity and bandwidth so that our business can function properly and our websites can handle current and anticipated traffic. Any restrictions or interruption in our connection to the Internet would have a material adverse effect on our business, prospects, financial condition, and results of operations.

The market for our services is uncertain.

The demand and market acceptance for our services may be subject to a high level of uncertainty. Advertisers and users may not adopt or continue to use Internet-base Yellow Pages services and other online services that we may offer in the future. Advertisers may find Internet Yellow Pages advertising to be less effective for meeting their business needs than traditional methods of Yellow Pages or other advertising and marketing. Our business, prospects, financial condition or results of operations will be materially and adversely affected if potential advertisers do not adopt Internet Yellow Pages as an important component of their advertising expenditures.

We may not be able to secure additional capital to expand our operations.

Although we currently have no material long-term needs for capital expenditures, we will likely be required to make increased capital expenditures to fund our anticipated growth of operations, infrastructure, and personnel. We currently anticipate that our cash on hand as of September 30, 2006, together with cash flows from operations, will be sufficient to meet our anticipated liquidity needs for working capital and capital expenditures over the next 12 months. In the future, however, we may seek additional capital through the issuance of debt or equity depending upon our results of operations, market conditions or unforeseen needs or opportunities. Our future liquidity and capital requirements will depend on numerous factors, including the following:

- the pace of expansion of our operations;
- our need to respond to competitive pressures; and
- future acquisitions of complementary products, technologies or businesses.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties and actual results could vary materially as a result of the factors described above. As we require additional capital resources, we may seek to sell additional equity or debt securities or draw on our existing bank line of credit. Debt financing must be repaid at maturity, regardless of whether or not we have sufficient cash resources available at that time to repay the debt. The sale of additional equity or convertible debt securities could result in additional dilution to existing stockholders. We cannot provide assurance that any financing arrangements will be available in amounts or on terms acceptable to us, if at all.

Our business is subject to a strict regulatory environment.

Existing laws and regulations and any future regulation may have a material adverse effect on our business. For example, we believe that our direct marketing programs meet existing requirements of the United States Federal Trade Commission. Any changes to FTC requirements or changes in our direct or other marketing practices, however, could result in our marketing practices failing to comply with FTC regulations.

We have received numerous inquiries from the attorney general offices of several states investigating our promotional activities, specifically, the use of our check mailer for customer activation. In December 2006, we voluntarily entered into a settlement with thirty-four states' attorneys general to address their inquiries and bring finality to the process. We have voluntarily agreed to the following:

- We will pay a settlement fee of $2,000,000 to the state consortium, which they may distribute among themselves;
- We will discontinue the use of activation checks as a promotional incentive;
- We will suspend billing of any active customer that was acquired in connection with the use of an activation check until a letter is mailed notifying the customer of their legal rights to cancel the service and providing them a 60-day opportunity to receive a refund equivalent to the customer's last two payments; and
- We will not employ any collection efforts with respect to past-due accounts of customers that were secured through the use of an activation check, nor will we represent our ability to do so.

This settlement could have an adverse affect on future revenues. Furthermore, there can be no absolute assurance that the other states, which were not part of the above-mentioned state consortium, would not attempt to file similar claims against us in the future. However, we believe this risk is somewhat mitigated by the fact that those states did not join the states in filing complaints against us and the fact that we are discontinuing the use of our check activators. Finally, our utilization of ACH billing has exposed us to greater scrutiny by the National Automated Clearing House Association, or NACHA. Future actions from these and other regulatory agencies could expose us to substantial liability in the future, including fines and criminal penalties, preclusion from offering certain products or services, and the prevention or limitation of certain marketing practices.

We may be unable to promote and maintain our brands.

We believe that establishing and maintaining the brand identities of our Internet Yellow Pages services is a critical aspect of attracting and expanding a base of advertisers and users. Promotion and enhancement of our brands will depend largely on our success in continuing to provide high quality service. If advertisers and users do not perceive our existing services to be of high quality, or if we introduce new services or enter into new business ventures that are not favorably received by advertisers and users, we will risk diluting our brand identities and decreasing their attractiveness to existing and potential IAP advertisers.

We may not be able to adequately protect our intellectual property rights.

Our success depends both on our internally developed technology and our third party technology. We rely on a variety of trademarks, service marks, and designs to promote our brand names and identity. We also rely on a combination of contractual provisions, confidentiality procedures, and trademark, copyright, trade secrecy, unfair competition, and other intellectual property laws to protect the proprietary aspects of our products and services. Legal standards relating to the validity, enforceability, and scope of the protection of certain intellectual property rights in Internet-related industries are uncertain and still evolving. The steps we take to protect our intellectual property rights may not be adequate to protect our intellectual property and may not prevent our competitors from gaining access to our intellectual property and proprietary information. In addition, we cannot provide assurance that courts will always uphold our intellectual property rights or enforce the contractual arrangements that we have entered into to protect our proprietary technology.

Third parties may infringe or misappropriate our copyrights, trademarks, service marks, trade dress, and other proprietary rights. Any such infringement or misappropriation could have a material adverse effect on our business, prospects, financial condition, and results of operations. In addition, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights, which may result in the dilution of the brand identity of our services.

We may decide to initiate litigation in order to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of our proprietary rights. Any such litigation could result in substantial expense, may reduce our profits, and may not adequately protect our intellectual property rights. In addition, we may be exposed to future litigation by third parties based on claims that our products or services infringe their intellectual property rights. Any such claim or litigation against us, whether or not successful, could result in substantial costs and harm our reputation. In addition, such claims or litigation could force us to do one or more of the following:

- cease selling or using any of our products that incorporate the challenged intellectual property, which would adversely affect our revenue;

- obtain a license from the holder of the intellectual property right alleged to have been infringed, which license may not be available on reasonable terms, if at all; and

- redesign or, in the case of trademark claims, rename our products or services to avoid infringing the intellectual property rights of third parties, which may not be possible and in any event could be costly and time-consuming.

Even if we were to prevail, such claims or litigation could be time-consuming and expensive to prosecute or defend, and could result in the diversion of our management's time and attention. These expenses and diversion of managerial resources could have a material adverse effect on our business, prospects, financial condition, and results of operations.

Capacity constraints may require us to expand our infrastructure and IAP advertiser support capabilities.

Our ability to provide high-quality Internet Yellow Pages services largely depends upon the efficient and uninterrupted operation of our computer and communications systems. We may be required to expand our technology, infrastructure, and IAP advertiser support capabilities in order to accommodate any significant increases in the numbers of advertisers and users of our websites. We may not be able to project accurately the rate or timing of increases, if any, in the use of our services or expand and upgrade our systems and infrastructure to accommodate these increases in a timely manner. If we do not expand and upgrade our infrastructure in a timely manner, we could experience temporary capacity constraints that may cause unanticipated system disruptions, slower response times, and lower levels of IAP advertiser service. Our inability to upgrade and expand our infrastructure and IAP advertiser support capabilities as required could impair the reputation of our brand and our services, reduce the volume of users able to access our website, and diminish the attractiveness of our service offerings to our advertisers.

Any expansion of our infrastructure may require us to make significant upfront expenditures for servers, routers, computer equipment, and additional Internet and intranet equipment, as well as to increase bandwidth for Internet connectivity. Any such expansion or enhancement will need to be completed and integrated without system disruptions. An inability to expand our infrastructure or IAP advertiser service capabilities either internally or through third parties, if and when necessary, would materially and adversely affect our business, prospects, financial condition, and results of operations.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our Annual Report on Form 10-K for the fiscal year ending September 30, 2008, we will be required to furnish a report by our management on our internal control over financial reporting. The internal control report must contain (i) a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting, (ii) a statement identifying the framework used by management to conduct the required evaluation of the effectiveness of our internal control over financial reporting, (iii) management's assessment of the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year, including a statement as to whether or not internal control over financial reporting is effective, and (iv) a statement that the Company's independent auditors have issued an attestation report on management's assessment of internal control over financial reporting.

In order to achieve compliance with Section 404 of the Act within the prescribed period, we will need to engage in a process to document and evaluate our internal control over financial reporting, which will be both costly and challenging. In this regard, management will need to dedicate internal resources, engage outside consultants and adopt a detailed work plan to (i) assess and document the adequacy of internal control over financial reporting, (ii) take steps to improve control processes where appropriate, (iii) validate through testing that controls are functioning as documented, and (iv) implement a continuous reporting and improvement process for internal control over financial reporting. We can provide no assurance as to our, or our independent auditors', conclusions at September 30, 2008 with respect to the effectiveness of our internal control over financial reporting under Section 404 of the Act. There is a risk that neither we nor our independent auditors will be able to conclude at September 30, 2008 that our internal controls over financial reporting are effective as required by Section 404 of the Act.

During the course of our testing we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

Risks Related to the Internet

We may not be able to adapt as the Internet, Internet Yellow Pages services, and IAP advertiser demands continue to evolve.

Our failure to respond in a timely manner to changing market conditions or client requirements could have a material adverse effect on our business, prospects, financial condition, and results of operations. The Internet, e-commerce, and the Internet Yellow Pages industry are characterized by:

- rapid technological change;
- changes in advertiser and user requirements and preferences;
- frequent new product and service introductions embodying new technologies; and
- the emergence of new industry standards and practices that could render our existing service offerings, technology, and hardware and software infrastructure obsolete.

In order to compete successfully in the future, we must

- enhance our existing services and develop new services and technology that address the increasingly sophisticated and varied needs of our prospective or current IAP advertisers;
- license, develop or acquire technologies useful in our business on a timely basis; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Our future success may depend on continued growth in the use of the Internet.

Because Internet Yellow Pages is a relatively new and rapidly evolving industry, the ultimate demand and market acceptance for our services will be subject to a high level of uncertainty. Significant issues concerning the commercial use of the Internet and online service technologies, including security, reliability, cost, ease of use, and quality of service, remain unresolved and may inhibit the growth of Internet business solutions that use these technologies. In addition, the Internet or other online services could lose their viability due to delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity, or due to increased governmental regulation. Our business, prospects, financial condition, and results of operations would be materially and adversely affected if the use of Internet Yellow Pages and other online services does not continue to grow or grows more slowly than we expect.

We may be required to keep pace with rapid technological change in the Internet industry.

In order to remain competitive, we will be required continually to enhance and improve the functionality and features of our existing services, which could require us to invest significant capital. If our competitors introduce new products and services embodying new technologies, or if new industry standards and practices emerge, our existing services, technologies, and systems may become obsolete. We may not have the funds or technical know-how to upgrade our services, technology, and systems. If we face material delays in introducing new services, products, and enhancements, our advertisers and users may forego the use of our services and select those of our competitors, in which event our business, prospects, financial condition, and results of operations could be materially and adversely affected.

Regulation of the Internet may adversely affect our business.

Due to the increasing popularity and use of the Internet and online services such as online Yellow Pages, federal, state, local, and foreign governments may adopt laws and regulations, or amend existing laws and regulations, with respect to the Internet and other online services. These laws and regulations may affect issues such as user privacy, pricing, content, taxation, copyrights, distribution, and quality of products and services. The laws governing the Internet remain largely unsettled, even in areas where legislation has been enacted. It may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, and taxation, apply to the Internet and Internet advertising and directory services. In addition, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, that may impose additional burdens on companies conducting business over the Internet. Any new legislation could hinder the growth in use of the Internet generally or in our industry and could impose additional burdens on companies conducting business online, which could, in turn, decrease the demand for our services, increase our cost of doing business, or otherwise have a material adverse effect on our business, prospects, financial condition, and results of operations.

We may not be able to obtain Internet domain names that we would like to have.

We believe that our existing Internet domain names are an extremely important part of our business. We may desire, or it may be necessary in the future, to use these or other domain names in the United States and abroad. Various Internet regulatory bodies regulate the acquisition and maintenance of domain names in the United States and other countries. These regulations are subject to change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we plan to conduct business in the future.

The extent to which laws protecting trademarks and similar proprietary rights will be extended to protect domain names currently is not clear. We therefore may be unable to prevent competitors from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our domain names, trademarks, trade names, and other proprietary rights. We cannot provide assurance that potential users and advertisers will not confuse our domain names, trademarks, and trade names with other similar names and marks. If that confusion occurs, we may lose business to a competitor and some advertisers and users may have negative experiences with other companies that those advertisers and users erroneously associate with us. The inability to acquire and maintain domain names that we desire to use in our business, and the use of confusingly similar domain names by our competitors, could have a material adverse affect on our business, prospects, financial conditions, and results of operations in the future.

Our business could be negatively impacted if the security of the Internet becomes compromised.

To the extent that our activities involve the storage and transmission of proprietary information about our advertisers or users, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. Our security measures may not prevent security breaches. Our failure to prevent these security breaches or a misappropriation of proprietary information may have a material adverse effect on our business, prospects, financial condition, and results of operations.

Our technical systems could be vulnerable to online security risks, service interruptions or damage to our systems.

Our systems and operations may be vulnerable to damage or interruption from fire, floods, power loss, telecommunications failures, break-ins, sabotage, computer viruses, penetration of our network by unauthorized computer users or "hackers," natural disaster, and similar events. Preventing, alleviating, or eliminating computer viruses and other service-related or security problems may require interruptions, delays or cessation of service. We may need to expend significant resources protecting against the threat of security breaches or alleviating potential or actual service interruptions. The occurrence of such unanticipated problems or security breaches could cause material interruptions or delays in our business, loss of data, or misappropriation of proprietary or IAP advertiser-related information or could render us unable to provide services to our IAP advertisers for an indeterminate length of time. The occurrence of any or all of these events could materially and adversely affect our business, prospects, financial condition, and results of operations.

If we are sued for content distributed through, or linked to by, our website or those of our advertisers, we may be required to spend substantial resources to defend ourselves and could be required to pay monetary damages.

We aggregate and distribute third-party data and other content over the Internet. In addition, third-party websites are accessible through our website or those of our advertisers. As a result, we could be subject to legal claims for defamation, negligence, intellectual property infringement, and product or service liability. Other claims may be based on errors or false or misleading information provided on or through our website or websites of our directory licensees. Other claims may be based on links to sexually explicit websites and sexually explicit advertisements. We may need to expend substantial resources to investigate and defend these claims, regardless of whether we successfully defend against them. While we carry general business insurance, the amount of coverage we maintain may not be adequate. In addition, implementing measures to reduce our exposure to this liability may require us to spend substantial resources and limit the attractiveness of our content to users.

Risks Related to Our Securities

Stock prices of technology companies have declined precipitously at times in the past and the trading price of our common stock is likely to be volatile, which could result in substantial losses to investors.

The trading price of our common stock has been volatile over the past few years and investors could experience losses in response to factors including the following, many of which are beyond our control:

- decreased demand in the Internet services sector;
- variations in our operating results;
- announcements of technological innovations or new services by us or our competitors;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- our failure to meet analysts' expectations;
- changes in operating and stock price performance of other technology companies similar to us;
- conditions or trends in the technology industry;
- additions or departures of key personnel; and
- future sales of our common stock.

Domestic and international stock markets often experience significant price and volume fluctuations that are unrelated to the operating performance of companies with securities trading in those markets. These fluctuations, as well as political events, terrorist attacks, threatened or actual war, and general economic conditions unrelated to our performance, may adversely affect the price of our common stock. In the past, securities holders of other companies often have initiated securities class action litigation against those companies following periods of volatility in the market price of those companies' securities. If the market price of our stock fluctuates and our stockholders initiate this type of litigation, we could incur substantial costs and experience a diversion of our management's attention and resources, regardless of the outcome. This could materially and adversely affect our business, prospects, financial condition, and results of operations.

Certain provisions of Nevada law and in our charter may prevent or delay a change of control of our company.

We are subject to the Nevada anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent Nevada corporations from engaging in a merger, consolidation, sales of its stock or assets, and certain other transactions with any stockholder, including all affiliates and associates of the stockholder, who owns 10% or more of the corporation's outstanding voting stock, for three years following the date that the stockholder acquired 10% or more of the corporation's voting stock except in certain situations. In addition, our amended and restated articles of incorporation and bylaws include a number of provisions that may deter or impede hostile takeovers or changes of control or management. These provisions include the following:

- the authority of our board to issue up to 5,000,000 shares of serial preferred stock and to determine the price, rights, preferences, and privileges of these shares, without stockholder approval;

- all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent unless such action or proposal is first approved by our board of directors;

- special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or the President of our company; and

- cumulative voting is not allowed in the election of our directors.

These provisions of Nevada law and our articles and bylaws could prohibit or delay mergers or other takeover or change of control of our company and may discourage attempts by other companies to acquire us, even if such a transaction would be beneficial to our stockholders.

Our common stock may be subject to the "penny stock" rules as promulgated under the Exchange Act.

In the event that no exclusion from the definition of "penny stock" under the Exchange Act is available, then any broker engaging in a transaction in our common stock will be required to provide its customers with a risk disclosure document, disclosure of market quotations, if any, disclosure of the compensation of the broker-dealer and its sales person in the transaction, and monthly account statements showing the market values of our securities held in the customer's accounts. The bid and offer quotation and compensation information must be provided prior to effecting the transaction and must be contained on the customer's confirmation of sale. Certain brokers are less willing to engage in transactions involving "penny stocks" as a result of the additional disclosure requirements described above, which may make it more difficult for holders of our common stock to dispose of their shares.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

We have a long-term operating lease with Arthur Grandlich d/b/a McKellips Corporate Square for the 16,772 square foot corporate office that is located in Mesa, Arizona. We pay rent of approximately $120,000 annually under this lease, which expires in June 2011. This facility contains our customer service call center and certain administrative resources.

We lease a 3,500 square foot facility in Las Vegas, Nevada that functions as the primary operating facility of Telco. In October 2006, we renewed this lease with Tomorrow 33 Convention, LP for a one year period with lease payments of $8,000 per month. We have an option to extend the lease another year.

We lease office space in Las Vegas, Nevada for our telemarketing activities under a month-to-month lease. Payments under this lease vary depending upon the amount of space utilized.

We believe that these facilities are adequate for our current and anticipated future needs and that both of these facilities and their contents are adequately covered by insurance.

ITEM 3. Legal Proceedings

Previously, we disclosed that we had received numerous inquiries from the Attorney General offices of several states investigating our promotional activities, specifically, the use of our check mailer for customer activation. On December 14, 2006, we voluntarily entered into a settlement with thirty-four states' attorneys general to address their inquiries and bring finality to the process. We have voluntarily agreed to the following:

- We will pay a settlement fee of $2,000,000 to the state consortium, which they may distribute among themselves;
- We will discontinue the use of activation checks as a promotional incentive;
- We will suspend billing of any active customer that was acquired in connection with the use of an activation check until a letter is mailed notifying the customer of their legal rights to cancel the service and providing them a 60-day opportunity to receive a refund equivalent to the customer's last two payments; and
- We will not employ any collection efforts with respect to past-due accounts of customers that were secured through the use of an activation check, nor will we represent our ability to do so.

We are party to certain other legal proceedings and other various claims and lawsuits in the normal course of our business, which, in the opinion of management, are not material to our business or financial condition.

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Common Stock

Our common stock trades publicly on the OTC Bulletin Board under the symbol "YPNT." The OTCBB is a regulated quotation service that displays real-time quotes, last-sale prices and volume information in over-the-counter equity securities. The OTCBB securities are traded by a community of market makers that enter quotes and trade reports. This market is extremely limited and any prices quoted are not a reliable indication of the value of our common stock.

The following table sets forth the quarterly high and low bid prices per share of our common stock by the OTCBB during the last two fiscal years. The quotes represent inter-dealer quotations, without adjustment for retail mark-up, markdown or commission and may not represent actual transactions.

Fiscal Year	Quarter Ended	High	Low
2005	December 31, 2005	$1.70	$0.93
	March 31, 2005	$1.31	$0.78
	June 30, 2005	$1.14	$0.69
	September 30, 2005	$1.12	$0.77
2006	December 31, 2005	$0.94	$0.40
	March 31, 2006	$1.03	$0.51
	June 30, 2006	$1.30	$0.95
	September 30, 2006	$1.08	$0.79

Holders of Record

On December 15, 2006, there were approximately 446 holders of record of our common stock according to our transfer agent. The Company has no record of the number of shareholders who hold their stock in "street" name with various brokers.

Dividend Policy

We have one class of outstanding preferred stock (Series E Preferred Stock), of which there are currently 127,840 shares issued and outstanding. Each share of Series E Preferred Stock is entitled to and receives a dividend of $0.015 per year, payable in quarterly installments of $0.00375.

Presently, we do not pay dividends on our common stock. The timing and amount of future dividend payments by our company, if any, will be determined by our Board of Directors based upon our earnings, capital requirements and financial position, general economic conditions, alternative uses of capital, and other pertinent factors.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)		(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[2]	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs	
July 2006	100,000[1]	$	1.01	-	$	2,313,207
August 2006	-		N/A	-	$	2,313,207
September 2006	-		N/A	-	$	2,313,207
Total	100,000	$	1.01	-	$	2,313,207

1 In July 2003, we entered into a licensing agreement with a vendor to license the use of the URL www.yp.com in exchange for cash and restricted shares of the Company's common stock. Under the terms of this agreement, the licensor had the option of transferring the rights to the URL and the restricted shares to the Company in exchange for $300,000. In July 2006, the licensor exercised this option, and transferred ownership of the URL and the restricted shares to the Company. The portion of the proceeds allocated to the shares was based on the fair market value of the stock at the transaction date.

2 On May 18, 2005, we announced the adoption of a $3,000,000 stock repurchase program. To date, we have purchased 853,850 shares at an aggregate price of $686,793.

ITEM 6. Selected Financial Data

The selected financial data presented below are derived from our historical consolidated financial statements for the years indicated, which have been audited by Epstein, Weber & Conover, P.L.C., our independent registered public accounting firm. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report.

	Year Ended September 30,				
	2006	2005 (1)	2004	2003	2002
Statement of Operations Data					
Net revenues	$ 36,881,164	$ 25,204,858	$ 57,168,105	$ 30,767,444	$ 12,618,126
Cost of services	8,069,239	3,980,619	24,757,880	8,473,746	3,497,678
Gross profit	28,811,925	21,224,239	32,410,225	22,293,698	9,120,448
Operating income	2,124,450	1,313,389	11,465,946	7,281,886	1,595,642
Net income	(1,050,920)	725,146	8,184,930	6,472,705	2,073,417
Net income (loss) per common share:					
Basic	$ (0.02)	$ 0.02	$ 0.17	$ 0.14	$ 0.05
Diluted	$ (0.02)	$ 0.02	$ 0.17	$ 0.14	$ 0.05
Weighted average common shares outstanding:					
Basic	44,958,683	46,390,356	47,375,927	45,326,721	44,024,329
Diluted	44,958,683	46,659,918	48,075,699	45,591,590	44,024,329
Cash dividends declared per common share	$ -	$ 1,444,763	$ 1,427,640	$ -	$ -
Statement of Cash Flows Data					
Net cash provided by (used in) operating activities	$ 2,420,083	$ 6,990,161	$ 4,818,203	$ 4,762,238	$ 1,158,015
Net cash provided by (used in) investing activities	(1,088,416)	(2,440,092)	(2,192,500)	(2,798,500)	(244,077)
Net cash provided by (used in) financing activities	(235,418)	(2,011,587)	(1,428,022)	(351,998)	(830,677)
Balance Sheet Data					
Cash and cash equivalents	$ 7,210,560	$ 6,114,311	$ 3,576,529	$ 2,378,848	$ 767,108
Working capital	13,908,560	13,374,171	12,484,833	6,615,537	3,089,108
Property and equipment, net	178,883	396,862	725,936	731,142	274,459
Intangible assets, net	5,722,604	6,108,823	3,326,274	3,512,952	3,578,542
Total assets	26,727,227	23,632,916	26,289,604	20,356,163	9,922,716
Total long term liabilities	-	-	848,498	-	115,866
Total stockholders equity	22,376,373	22,065,266	23,572,393	15,709,315	8,386,853

(1) Includes an increase to income of approximately $100,000 (net of income taxes of approximately $54,000) resulting from the cumulative effect of an accounting change for forfeitures of restricted stock granted to employees, executives and consultants

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the fiscal year ended September 30, 2006, this "Management's Discussion and Analysis" should be read in conjunction with the Consolidated Financial Statements, including the related notes, appearing in Item 8 of this Annual Report.

Forward-Looking Statements

This portion of this Annual Report on Form 10-K, includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this portion of the Annual Report include, but are not limited to our (i) expectation that our billing cycles will not be disrupted; (ii) expectation that the number of refund requests will not exceed 40% of customers receiving notifications; (iii) expectations that we can quickly ramp our telemarketing efforts to continue to attract new customers; (iv) expectation that our telemarketing efforts will yield positive customer growth throughout the remainder of fiscal 2007; (v) our projected revenues, operating income and net income for fiscal 2007; (vi) expectation that we can expand our telemarketing campaigns in the future; and (vii) belief that our existing cash on hand will provide us with sufficient liquidity to meet our operating needs for the next twelve months.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in *Item 1A. Risk Factors*, as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

In addition, the foregoing factors may affect generally our business, results of operations, and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

Executive Overview

This section presents a discussion of recent developments and summary information regarding our industry and operating trends only. For further information regarding the events summarized herein, you should read this Management's Discussion and Analysis of Financial Condition and Results of Operations in its entirety.

Recent Developments and Outlook

From 2001 to the fourth quarter of fiscal 2005, our primary source of marketing was through the use of activation checks mailed to prospective customers. During this period, we tracked the effectiveness of these activation checks and noticed a decline in their effectiveness from year-to-year. The response rate with the activation check declined from 2.2% in fiscal 2003 to 0.9% in fiscal 2005, causing this to become a more expensive means of attracting customers. Therefore, during the fourth quarter of fiscal 2005, we began utilizing telemarketing as a supplement to our direct mail activities. In fiscal 2006, our response rate to the activation check further dropped to 0.7%. Accordingly, we began a transition to telemarketing as our primary means of sales and marketing efforts. We increased our telemarketing efforts such that it accounted for approximately 50% of total customer acquisition expenditures during fiscal 2006.

During fiscal 2006, we received numerous inquiries from the Attorney General offices of several states investigating our promotional activities, specifically, the use of our check mailer for customer activation. On December 14, 2006, we voluntarily entered into a settlement with thirty-four states' attorneys general to address their inquiries and bring finality to the process. We have voluntarily agreed to the following:

- We will pay a settlement fee of $2,000,000 to the state consortium, which they may distribute among themselves;
- We will discontinue the use of activation checks as a promotional incentive;
- We will suspend billing of any active customer that was acquired in connection with the use of an activation check until a letter is mailed notifying the customer of their legal rights to cancel the service and providing them a 60-day opportunity to receive a refund equivalent to the customer's last two payments; and
- We will not employ any collection efforts with respect to past-due accounts of customers that were secured through the use of an activation check, nor will we represent our ability to do so.

This settlement limits our exposure to significant legal fees and costs that may have been otherwise incurred had we decided to dispute these inquiries. Further, we have been transitioning a significant amount of our marketing efforts away from the use of activation checks toward the use of telemarketing and other marketing channels during 2005 and 2006. With this settlement, we will be able to accelerate this transition away from the use of activation checks and focus our marketing efforts toward improving the effectiveness and efficiency of our telemarketing campaigns and other marketing efforts.

The mailings related to the settlement listed above affects approximately 41,000 customers. However, we have commenced such mailings and do not expect our billing cycles to be disrupted. Our maximum exposure on refunds under this settlement is $2,500,000, although we do not expect the number of refund requests to exceed 40% of such customers. Our inability to utilize activation checks will cause a near term disruption in our marketing efforts. However, as we have been transitioning toward telemarketing campaigns, we expect that we can quickly ramp up our telemarketing efforts to continue to attract new customers.

We expect that the mailings related to the attorneys general settlement will result in a decline in revenue in the first quarter of fiscal 2007. However, we also expect our telemarketing efforts to yield positive customer growth throughout the remainder of fiscal 2007. Although there are many variables that impact our future results, including the number of customer cancellations resulting from the attorneys general settlement and the success of our future telemarketing campaigns, we expect that our gross annual revenues for fiscal 2007 will be between $45,000,000 and $49,000,000, with our operating income between $11,000,000 and $12,000,000 and net income between $6,000,000 and $7,000,000.

Changes in Billing Practices

During the end of 2004 and throughout 2005, we had been reducing our use of LEC billing channels as the LECs' policies regarding the use of our check mailer as our primary letter of authorization prevented us from billing many existing customers through this particular billing channel. Additionally, the major LECs (i.e. Regional Bell Operating Companies or RBOCs) prevented us from billing any new customers acquired via check mailers. As such, we transitioned a significant number of our customers to alternate billing means, the most significant of which was ACH billing. ACH billing is less expensive than LEC billing; however, many of our customers view this as a less desirable billing method, leading to increased cancellations. In situations where we cannot bill a customer via LEC or ACH billing, or in instances where the customer requests that we bill them directly, we utilize direct invoices. Direct billing has a higher percentage of uncollectible accounts than other billing methods and, therefore, is our least attractive billing option.

In fiscal 2006, we began acquiring new customers via telemarketing campaigns, which are allowed to be billed via LECs. These telemarketing campaigns have reopened certain LEC billing channels. Additionally, our monthly billing rates are higher for customers acquired via telemarketing campaigns. For these reasons, as well as the cessation of the use of our check activator, we expect to continue to expand our telemarketing campaigns in the future.

The following represents the breakdown of net billings by channel during recent fiscal quarters:

	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
LEC billing	63%	62%	49%	35%	32%	23%	26%	49%
ACH billing	33%	33%	43%	54%	54%	64%	56%	42%
Direct billing	4%	5%	8%	11%	14%	13%	18%	9%

Recent Financial Results
The following represents a summary of recent financial results:

	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Net Revenues	$ 10,082,487	$ 10,172,705	$ 8,999,196	$ 7,626,776	$ 6,052,936	$ 6,517,158	$ 6,444,609	$ 6,190,155
Gross margin	7,047,642	7,843,120	7,410,732	6,510,430	4,993,639	5,591,353	5,583,676	5,055,571
Operating expenses	5,878,319	6,613,886	7,288,932	6,906,338	5,610,005	5,311,145	4,674,869	4,314,831
Operating income (loss)	1,169,322	1,229,234	121,800	(395,908)	(616,366)	280,208	908,807	740,740
Net income (loss)	(1,680,673)	826,847	129,998	(327,092)	(386,653)	(175,887)	627,135	660,551

During fiscal 2006, we generated net loss of approximately $1,051,000, or ($0.02) per share on a diluted basis (which includes non-recurring expenses totaling approximately $4,144,000 or $0.09 per share consisting of approximately $3,687,000 of settlement related matters with attorneys general and with a former vendor and approximately $457,000 of severance costs, further described below). During fiscal 2005, we generated net income of approximately $725,000, or $0.02 per share on a diluted basis (which includes non-recurring expenses totaling approximately $527,000 or $0.01 per share, further described below).

The following non-recurring items are relevant to our fiscal 2006 and 2005 quarterly operating results, each of which are further described in this Executive Overview:

- Fourth quarter of fiscal 2006 - includes the following charges associated with the voluntary agreement with various regulatory agencies surrounding the use of activation checks (described in Recent Developments and Outlook above):

   - o $2,000,000 payment to cover regulatory and related expenses
   - o $1,250,000 of accrued refunds and processing fees for existing customers that wish to cancel their service in response to the correspondence to be sent per the terms of the agreement
   - o $275,000 of legal and professional fees

- Third quarter of fiscal 2006 - no significant non-recurring expenses were incurred.

- Second quarter of fiscal 2006 - includes an increase of general and administrative expenses of approximately $80,000 related to separation costs with our former Chief Financial Officer and $39,000 related to separation costs with other employees.

- First quarter of fiscal 2006 - includes an increase of general and administrative expenses totaling approximately $338,000 related to separation costs with our former Chief Executive Officer and an increase in other expenses associated with an additional expense of $162,000 relating to an outstanding legal matter.

- Fourth quarter of fiscal 2005 - includes an increase of general and administrative expenses totaling approximately $212,000 relating to the termination of consulting agreements with certain of our former officers offset by a reduction of general and administrative expenses of approximately $295,000 associated with the true-up of estimates of forfeitures of restricted stock grants.

- Third quarter of fiscal 2005 - includes losses of $328,000 associated with a litigation settlement and approximately $282,000 associated with our agreement to settle outstanding amounts due from two of our largest stockholders (with the loss being equal to the difference between the fair value of debt forgiven and the value of the consideration received).

Critical Accounting Estimates and Assumptions

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make certain 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. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management's initial estimates as reported. A summary of our significant accounting policies are detailed in the notes to the financial statements, which are an integral component of this filing.

The following summarizes critical estimates made by management in the preparation of the financial statements.

Revenue Recognition. We generate revenue from customer subscriptions for directory and advertising services. Our billing and collection procedures include significant involvement of outside parties, referred to as aggregators for LEC billing and service providers for ACH billing. Such processes are described below.

ACH Billing - For ACH billing, we submit electronic billing information to our service providers, who in turn use this information as a basis for processing direct bank withdrawals through an Automated Clearing House. We receive information regarding records that are rejected or cannot otherwise be processed on a timely basis, and we recognize revenue only for those items that are processed.

LEC Billing - When a customer subscribes to our service we create an electronic customer file, which is the basis for the billing. We submit gross billings electronically to third party billing aggregators. These billing aggregators compile and format our electronic customer files and forward the billing records to the appropriate LECs. The billing for our service flows through to monthly bills of the individual LEC customers. The LECs collect our billing and remit amounts to the billing aggregators, which in turn remit funds to us. The following are significant accounting estimates and assumptions used in the revenue recognition process with respect to these billings.

- Customer refunds. We have a customer refund policy that allows the customer to request a refund if they are not satisfied with the service within the first 120 days of the subscription. We accrue for refunds based on historical experience of refunds as a percentage of new billings in that 120-day period. Customer refunds are reserved and charged against gross revenue.

- Non-paying customers. There are customers who may not pay the fee for our services even though we believe they are valid subscribers. Included in cost of services is an accrual for estimated non-paying customers that are recorded at the time of billing.

- Dilution. We recognize revenue during the month for which the service is provided based on net billings accepted by the billing aggregators. We recognize revenue only for accepted records. However, subsequent to this acceptance, there are instances in the LEC billing process where a customer cannot be billed due to changes in telephone numbers, telephone carriers, data synchronization issues, etc. These amounts that ultimately cannot be billed, as well as certain minor billing adjustments by the LECs are commonly referred to as “dilution.” Dilution is estimated at the time of billing and charged to cost of services.

- Fees. Processing fees are charged by both the aggregator and the LEC. Additionally, the LEC charges fees for responding to billing inquiries by its customers, processing refunds, and other customer-related services. Such fees are estimated at the time of billing and charged to cost of services.

Direct bill customers - If we are unable to bill via any other means, we bill subscribers directly via paper invoices. Our collection rate on these billings is significantly lower than those processed through the LECs. We track collections on direct billed customers and recognize revenue from those customers based on the historical collection rates.

Fulfillment contracts - Beginning in fiscal 2006, we began entering into contracts with several third parties whereby we provide hosting, customer service and certain administrative functions under a revenue sharing agreements. We recognize revenues only for those revenues for which we are entitled to when the related services are performed.

Allowance for Doubtful Accounts. We receive cash through the processes discussed above. Under our contractual arrangements with our third party aggregators and service providers, the LECs and aggregators/service providers deduct from our gross billings amounts for returns, nonpaying customers, dilution and fees to arrive at net proceeds remitted to us. We estimate an allowance for doubtful accounts on the basis of information provided by the billing aggregators and service providers. This information is an indicator of timely payments made by our subscribers. At September 30, 2006 and 2005, the allowance for doubtful accounts was approximately 36% and 16% of gross accounts receivable, respectively.

Carrying Value of Intellectual Property. The carrying value of our intellectual property at September 30, 2006, relates primarily to the purchase of the Yellow-Page.Net Universal Resource Locator, or URL, from Telco. The URL is recorded at its $5,000,000 purchase price, less accumulated amortization of $2,661,000. We have estimated the useful life of this asset to be 20 years.

We evaluate the recoverability of the carrying amount of this and other intangible assets whenever events or changes in circumstances indicate that the carrying amount of this asset may not be fully recoverable. In 2006, there have been no events that indicate that this asset may be impaired and, accordingly, no such impairment tests are warranted. In the event of such changes, impairment would be assessed if the undiscounted expected cash flows derived for the asset are less than its carrying amount. The dynamic economic environment in which we operate and the resulting assumptions used to estimate future cash flows would impact the outcome of such impairment tests.

Change in Accounting Principle - Capitalization of Customer Acquisition Costs and Amortization of those Costs. We purchase mailing lists and send advertising materials to prospective subscribers from those mailing lists as well as outbound call campaigns. Customers subscribe to the services by affirmatively responding to those advertising materials and calling campaigns, which serve as the contract for the subscription. Previously, we capitalized these customer acquisition costs and amortized them on a straight-line basis over the average expected life of our customers based on historical IAP advertiser attrition rates and other factors.

Prior to fiscal 2006, the majority of our capitalized customer acquisition costs related to our mailing campaigns for which we amortized the costs based on historical IAP advertiser attrition rates attributable to our entire customer base. During fiscal 2006, we began increasing our expenditures for telemarketing campaigns. The capitalization of such costs requires that we amortize over the average expected life of acquired customers, as determined on a cost-pool by cost-pool basis. Our systems do not allow us to efficiently and accurately monitor customer lives by method of acquisition. Therefore, we are unable to determine the average expected life of those customers acquired via telemarketing versus those acquired via mailing campaigns. As we cannot effectively evaluate such costs on a cost-pool by cost-pool basis, we determined in fiscal 2006 that the more preferable method of accounting for these costs is to expense them when incurred. We enacted this change in accounting principle during the fourth quarter of fiscal 2006 and, in accordance with FAS 154, we have restated all periods presented to reflect this new method of accounting for such costs.

Income Taxes. Management evaluates the probability of the utilization of the deferred income tax assets. We have estimated net deferred income tax assets of $3,117,000 and net deferred tax assets of $1,632,000 at September 30, 2006 and 2005, respectively, which relate to various timing differences between book and tax expense recognition. We are required to make judgments and estimates related to the timing and utilization of deferred income tax assets, applicable tax rates, and feasible tax planning strategies.

Stock-Based Compensation. From time-to-time, we grant restricted stock awards to employees, directors, executives, and consultants. Such awards are recorded as an increase to common stock and paid in capital on the grant date with an offsetting amount of deferred compensation in stockholders' equity. This deferred compensation cost is amortized on a straight-line basis over the vesting period. Prior to October 1, 2004, we recognized forfeitures as they occurred. Upon occurrence, we reversed the previously recognized expense associated with such grant. Effective October 1, 2004, we changed to an expense recognition method that is based on an estimate of the number of shares that are ultimately expected to vest (see discussion below in "*Results of Operations - Cumulative Effect of Accounting Change*"). The impact of changes in such estimates on unamortized deferred compensation cost are recorded as an adjustment to compensation expense in the period in which such estimates are revised.

Results of Operations

Net Revenues

Year Ended September 30,	Net Revenues	Change from Prior Year	Percent Change from Prior Year
2006	$ 36,881,164	$ 11,676,306	46.3%
2005	$ 25,204,858	$ (31,963,247)	(55.9)%
2004	$ 57,168,105		

The increase in revenues for fiscal 2006, as compared to 2005, was largely due to an increased customer count attributable to expanded marketing efforts, the reintroduction of the LEC billing channel for new customers, and new fulfillment contracts.

Through the settlement with the attorneys general described above, we will discontinue the use of activation checks in fiscal 2007. During fiscal 2006, such efforts constituted roughly half of our marketing expenditures.

Although we have concentrations of risk with our billing aggregators (as described in the Notes to Consolidated Financial Statements included elsewhere in this Annual Report) these aggregators bill via many underlying LECs, thereby reducing our risk associated with credit concentrations. However, there are a few LECs that service a significant number of our customers. To the extent that future changes in their billing practices cause a disruption in our ability to bill through these channels, our revenues could be adversely affected.

The majority of our IAP customers pay between $27.50 and $39.95 per month.

The decrease in revenues for the year ended September 30, 2005, as compared to the year ended September 30, 2004, was largely due to declines in our paying subscriber base resulting from our LEC billing issues.

The success of our business model is based on our ability to retain, add and efficiently bill our subscribers.

There have been different methodologies employed in the reporting of customer count. To more properly reflect customer count we changed our methodology in the first quarter of fiscal 2006 to count billed listings. A billed listing is defined by management as any listing that has successfully been submitted through one of our billing channels or in the case of listings billed by direct invoice only those listings that have paid for their listing at the end of the reporting period.

Management believes that this change when coupled with the knowledge of our average price and percentage of returns and allowances will provide greater insight into our business model for the public.

The following represent our counts for billed listings over the last eight quarters:

Quarter Ended	Average Billed Listings During Quarter	Gross Revenue	Returns & Allowances (% of Gross Revenue)	Net Revenues	Average Monthly Gross Revenue per Average Billed Listing
September 30th, 2006	130,627	$ 10,672,074	5.52%	$ 10,082,487	$ 27.23
June 30th, 2006	134,264	10,869,020	6.41%	10,172,705	$ 26.98
March 31st, 2006	116,622	9,823,664	8.39%	8,999,196	$ 28.08
December 31st, 2005	90,809	8,328,583	8.43%	7,626,776	$ 30.57
September 30th, 2005	81,342	6,856,082	11.71%	6,052,936	$ 28.10
June 30th, 2005	83,096	7,419,827	12.17%	6,517,158	$ 29.76
March 31st, 2005	76,633	7,527,086	14.38%	6,444,609	$ 32.74
December 31st, 2004	82,579	7,502,125	17.49%	6,190,155	$ 30.28

Our average monthly gross revenue per average billed listing declined recently, as a significant amount of our increase in billed listings was via a new fulfillment contract. Under the terms of this new contract, our gross revenues are, on average, approximately $3 lower than comparable billed customers.

Cost of Services

Year Ended September 30,	Cost of Services	Change from Prior Year	Percent Change from Prior Year
2006	$ 8,069,239	$ 4,088,620	102.7%
2005	$ 3,980,619	$ (20,777,261)	(83.9)%
2004	$ 24,757,880		

The increase in cost of services for the year ended September 30, 2006, as compared to September 30, 2005, is largely due to an increase in LEC billings, which have higher costs than other billing channels Billings through LEC channels, comprised 64% of total billings during fiscal 2006 as compared to 32% in fiscal 2005. Increases in dilution expense and adjustments to dilution reserves were the primary components of the increase in cost of sales from fiscal 2005 to fiscal 2006.

The decrease in our cost of services from fiscal 2004 to fiscal 2005 is directly attributable to a reduction in our dilution expense as a result of our transition from LEC billing to alternative billing methods. Billings through LEC channels, which drives a substantial majority of our dilution expense, decreased to 32% of total billings during fiscal 2005 from over 90% of total billings during fiscal 2004. A significant portion of these customers were converted to ACH and direct billing methods, which have minimal dilution. We expect cost of services to continue to be directly correlated to our usage of LEC billing channels.

Gross Profit

Year Ended September 30,		Gross Profit		Change from Prior Year	Percent Change from Prior Year
2006	$	28,811,925	$	7,587,686	35.8%
2005	$	21,224,239	$	(11,185,986)	(34.5)%
2004	$	32,410,225			

The increase in our gross profits was due primarily to increased revenues partially offset by increased cost of sales associated with higher utilization of LEC billing channels. Gross margins decreased to 78% of net revenues in fiscal 2006 compared to 84% of net revenues in fiscal 2005 due to increased dilution in fiscal 2006 resulting from the increase in LEC billings as previously discussed.

The decrease in our gross profits from fiscal 2004 to fiscal 2005 was due to decreased revenues resulting from a decrease in IAP advertisers, offset in part by the decreased dilution as discussed above.

General and Administrative Expenses

Year Ended September 30,		General & Administrative Expenses		Change from Prior Year	Percent Change from Prior Year
2006	$	13,800,456	$	769,842	5.9%
2005	$	13,030,614	$	344,278	2.7%
2004	$	12,686,336			

General and administrative expenses increased approximately $770,000 for the fiscal year ended September 30, 2006 compared to the fiscal year ended September 30, 2005. The increase in general and administrative expenses for fiscal 2006, as compared to fiscal 2005, is largely due to the following:

- An increase in consulting and professional fees of approximately $1,117,000 associated with (i) increased consulting expenses of $957,000, associated with operational and strategic consulting, and (ii) $162,000 of executive search and placement services and other miscellaneous activities.

- An increase in compensation expense of approximately $476,000 associated with the general increase in revenues and business activity in fiscal 2006. This increase was comprised of increases of approximately (i) $352,000 of severance costs associated with the termination of former officers and other personnel, (ii) non-cash compensation costs of $179,000 associated with restricted stock awards, (iii) $307,000 for Directors' compensation and Executive bonuses, and (iv) increases in leased and contract employees and other miscellaneous compensation expenses of $131,000. These costs were partially offset by a decrease in executive consulting fees of approximately $493,000.

- A decrease in mailing and other customer costs of approximately $662,000 associated with the reduction of paper invoices and other methods of correspondence with customers for which payment is unlikely to be received.

- General cost reductions of $161,000.

General and administrative expenses increased 2.7 % during fiscal year 2005 compared to fiscal 2004. The increase in costs for the year ended September 30, 2005 was comprised of approximately $828,000 related to our efforts to reconfirm our existing subscriber base and $584,000 associated with increased customer mailing costs attributable to an increase in customers that are invoiced directly and other customer mailing efforts that took place during fiscal 2005. These increases were offset by the combination of $498,000 of decreased legal costs in fiscal 2005 and general expense reductions associated with cost-containment initiatives.

Our general and administrative expenses consist largely of fixed and semi-fixed expenses such as compensation, rent, utilities, etc. Therefore, we do not consider short-term trends of general and administrative expenses as a percentage of revenues to be meaningful indicators for evaluating operational performance.

The following table sets forth our recent operating performance for general and administrative expenses:

	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Compensation for employees, leased employees, officers and directors	$2,073,646	$1,908,099	$2,475,244	$2,476,713	$2,272,287	$2,115,672	$1,869,134	$2,201,308
Professional fees and other G&A costs	1,086,877	976,111	839,972	790,187	665,316	618,738	629,461	823,172
Reconfirmation, mailing, billing and other customer-related costs	39,180	245,597	396,883	491,947	407,554	517,565	614,591	295,816

Sales and Marketing Expenses

Year Ended September 30,	Sales & Marketing Expenses	Change from Prior Year	Percent Change from Prior Year
2006	$ 11,452,465	$ 6,142,228	115.7%
2005	$ 5,310,237	$ (2,017,313)	(27.5)%
2004	$ 7,327,550		

As discussed elsewhere in this section , we enacted a change in accounting principle in the fourth quarter of fiscal 2006 to expense such costs when they are incurred and have retroactively restated all period presented to reflect such a change.

Sales and marketing expense increased in fiscal 2006 as compared to fiscal 2005 primarily due to an increase in telemarketing expenditures from $153,000 in fiscal 2005 to $5,245,000 in fiscal 2006. The remaining increase is due to increased mailing campaigns partially offset by a decrease in branding activities. As previously discussed, in connection with the attorneys general campaign, we have ceased utilizing activation checks in early fiscal 2007. We expect telemarketing campaigns to be our primary source of sales and marketing expenditures in fiscal 2007.

Sales and marketing expenses as a percentage of revenues were 31.1% for fiscal 2006 compared to 21.1% for fiscal 2005 as we have increased our telemarketing and other sales efforts to fuel revenue growth.

Depreciation and Amortization

Year Ended September 30,	Depreciation & Amortization	Change from Prior Year	Percent Change from Prior Year
2006	$ 1,434,554	$ (135,445)	(8.6)%
2005	$ 1,569,999	$ 639,606	68.7%
2004	$ 930,393		

Depreciation and amortization remained largely consistent between the fiscal years ended September 30, 2006 and 2005. Expenses for depreciation and amortization consist of amortization of fixed assets, capitalized website costs, intangible assets and our non-compete agreements.

The increase in depreciation and amortization expense from fiscal 2004 to fiscal 2005 is attributable to (i) amortization of a $1,821,000 non-compete agreement acquired in April 2005 as part of the Transfer and Repayment Agreement described in “Recent Developments” above and in Note 11 of the Notes to Consolidated Financial Statements included elsewhere in this report, and (ii) increased amortization of intangible assets associated with website development costs that were capitalized during 2005.

Operating Income

Year Ended September 30,	Operating Income	Change from Prior Year	Percent Change from Prior Year
2006	$ 2,124,450	$ 811,061	61.8%
2005	$ 1,313,389	$ (10,152,557)	(88.5)%
2004	$ 11,465,946		

Our operating income increased in fiscal 2006 from fiscal 2005 due primarily to revenue increases, offset primarily by increased dilution in our LEC billing channel and increased sales and marketing activities, as previously described. Revenues decreases as previously described in fiscal 2005 as compared to fiscal 2004 were the predominant factor in our decrease in operating income for the year ended September 30, 2005 compared with the year ended September 30, 2004.

Loss on Attorneys General Settlement

The loss on attorneys general settlement, unique to fiscal 2006, relates to the settlement of matters described in “*Executive Overview - Recent Developments and Outlook*” above. This loss includes a settlement fee of $2,000,000, $1,250,000 of accrued refunds and related expenses and $275,000 of legal fees. Such matters have been concluded and we do not expect any additional future charges relating to these events.

Other Income (Expense)

Year Ended September 30,	Other Income (Expense)	Change from Prior Year	Percent Change from Prior Year
2006	$ (186,325)	$ 364,084	(66.1)%
2005	$ (550,409)	$ (1,338,584)	(169.8)%
2004	$ 788,175		

Other income (expense) in each of the years presented consist primarily of non-related matters. Other income (expense) for the year ended September 30, 2006 consists primarily of a $162,000 expense related to the settlement of an outstanding matter with a vendor.

Other income (expense) for the year ended September 30, 2005 includes losses of $328,000 associated with a litigation settlement and approximately $282,000 associated with our agreement to settle outstanding amounts due from two of our largest stockholders. These agreements were reached in fiscal 2005.

Other income in fiscal 2004 consisted of technical and service income from Simple.net of $287,000, a nonrecurring reversal of $525,000 of previously accrued compensation costs for former executives for which payment is no longer required, and other miscellaneous items.

Income Tax Benefit (Provision)

Year Ended September 30,	Income Tax Benefit (Provision)	Change from Prior Year	Percent Change from Prior Year
2006	$ 311,779	$ 683,816	(183.8)%
2005	$ (372,037)	$ 4,005,176	(91.5)%
2004	$ (4,377,213)		

The change in our income tax benefit (provision) in each of the above years is due primarily to changes in our pre-tax income. As of September 30, 2006, we have utilized all of our net operating loss carryforwards.

Cumulative Effect of Accounting Change

During the first fiscal quarter of 2005, we changed our method of accounting for forfeitures of restricted stock awards to employees, officers, and directors. Prior to October 1, 2004, we recognized forfeitures as they occurred. Upon occurrence, we reversed the previously recognized expense associated with such grant. Effective October 1, 2004, we changed to an expense recognition method that is based on an estimate of the number of shares that are ultimately expected to vest. We believe that this is a preferable method as it provides less volatility in expense recognition. Additionally, while both methods of accounting for forfeitures are acceptable under current guidance, the implementation of FAS 123R (effective during the first quarter of fiscal 2006) no longer permits us to recognize forfeitures as they occur. This change resulted in an increase to net income of $99,848, net of income taxes of $53,764, during the first quarter of fiscal 2005. Note that this change in accounting principle was enacted prior to the adoption of FAS 154, which requires the retroactive application of changes in accounting principles to all periods presented.

Net Income (Loss)

Year Ended September 30,	Net Income (Loss)	Change from Prior Year	Percent Change from Prior Year
2006	$ (1,050,920)	$ (1,776,066)	244.9%
2005	$ 725,146	$ (7,459,784)	(91.1)%
2004	$ 8,184,930		

We reported a net loss for fiscal 2006 of $1,051,000 as compared to net income for fiscal 2005 of $725,000, a decrease of $1,776,000. The substantial decrease in net income in fiscal 2006 is primarily the result of non-recurring expenses totaling approximately $4,144,000 consisting of approximately $3,687,000 of settlement related expenditures with attorneys general and with a former vendor and approximately $457,000 of severance costs and increased sales and marketing expenditures, which were partially offset by increased gross margins due to our ability to utilize the LEC billing channel as previously discussed. The substantial decrease in net income for the year ended September 30, 2005 is due primarily to decreased revenues.

Liquidity and Capital Resources

Net cash provided by operating activities decreased approximately $4,570,000, or 65%, to $2,420,000 for the year ended September 30, 2006, compared to $6,990,000 for the year ended September 30, 2005. The decrease in cash generated from operations in fiscal 2006 is primarily due to an increase in accounts receivable and the related provisions resulting from an increased reliance on the LEC billing channel. Net cash provided by operating activities was $4,818,000 for the year ended September 30, 2004.

Our primary source of cash inflows is net remittances from our billing channels, including ACH billings and LEC billings. For ACH billings, we generally receive the net proceeds through our billing service processors within 15 days of submission. For LEC billings, we receive collections on accounts receivable through the billing service aggregators under contracts to administer this billing and collection process. The billing service aggregators generally do not remit funds until they are collected. Generally, cash is collected and remitted to us (net of dilution and other fees and expenses) over a 60- to 120-day period subsequent to the billing dates. Additionally, for each monthly billing cycle, the billing aggregators and LECs withhold certain amounts, or “holdback reserves,” to cover potential future dilution and bad debt expense. These holdback reserves lengthen our cash conversion cycle as they are remitted to us over a 12- to 18-month period of time. We classify these holdback reserves as current or long-term receivables on our balance sheet, depending on when they are scheduled to be remitted to us. As of September 30, 2006, approximately 31% of our accounts receivable are due from a single aggregator.

Our most significant cash outflows include payments for marketing expenses and general operating expenses. General operating cash outflows consist of payroll costs, income taxes, and general and administrative expenses that typically occur within close proximity of expense recognition.

Net cash used in investing activities totaled $1,088,000 during fiscal 2006 and consisted of investments of excess cash in certificates of deposit and other investments, expenditures for intangible assets and minor purchases of equipment. During fiscal 2005, cash used for investing activities was $2,441,000, and also consisted of investments of excess cash in certificates of deposit and other investments, expenditures for intangible assets and minor purchases of equipment. During fiscal 2004, cash used for investing activities was $2,193,000.

Net cash used for financing activities was $235,000 during fiscal 2006 and consisted of the repurchase of our treasury stock. Cash used for financing activities during fiscal 2005 were $2,012,000 and consisted predominantly of payments of common stock dividends of $1,445,000 and purchases of treasury stock totaling $566,000. Cash used for financing activities during fiscal 2004 were $1,428,000.

We had working capital of $13,705,000 as of September 30, 2006, compared to $13,374,000 as of September 30, 2005. Our cash position increased to over $7,211,000 at September 30, 2006 from approximately $6,114,000 at the end of fiscal 2005.

During 2005, our Board of Directors authorized the repurchase of up to $3,000,000 of our common stock from time to time on the open market or in privately negotiated transactions. To date, we have purchased 853,850 shares at an aggregate cost of $686,793 under the program.

During fiscal 2006, we entered into a contractual arrangement with an attorney to settle previous claims and to engage the future services of this attorney. Under the terms of the arrangement, we made cash payments during the year totaling $145,000 and granted 100,000 shares of restricted stock. We are obligated to make future payments over the next two years totaling $234,750 in exchange for future services. Such amounts have not been accrued in the accompanying financial statements as such payments are for future services.

During fiscal 2006, we entered into a contractual arrangement with a consulting firm to provide strategic and operational related consulting services. Under the terms of the agreement, we are obligated to make future payments through July 2009 that vary based on the Company’s billed customer count subject to a minimum of $20,000 per month. Current payments are approximately $100,000 per month. Such amounts have not been accrued in the accompanying financial statements as such payments are for future services.

The following table summarizes our contractual obligations at September 30, 2006 and the effect such obligations are expected to have on our future liquidity and cash flows:

	Payments Due by Fiscal Year						
Contractual obligations	**Total**	**2007**	**2008**	**2009**	**2010**	**2011**	**Thereafter**
Lease commitments	$ 777,125	$ 296,209	$ 159,899	$ 116,733	$ 116,733	$ 87,550	$ -
Noncanceleable service contracts	894,750	427,500	287,250	180,000	-	-	-
	$1,671,875	$ 723,709	$ 447,149	$ 296,733	$ 116,733	$ 87,550	$ -

We believe that our existing cash on hand will provide us with sufficient liquidity to meet our operating needs for the next twelve months.

At September 30, 2006, we had no other off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 7A. Quantitative and Qualitative Disclosure about Market Risk

As of September 30, 2006, we did not participate in any market risk-sensitive commodity instruments for which fair value disclosure would be required under Statement of Financial Accounting Standards No. 107. We believe that we are not subject in any material way to other forms of market risk, such as foreign currency exchange risk or foreign customer purchases (of which there were none in fiscal 2006 or 2005) or commodity price risk.

ITEM 8. Financial Statements and Supplementary Data

YP CORP.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board
of Directors of YP Corp.:

We have audited the accompanying consolidated balance sheets of YP Corp. and subsidiaries as of September 30, 2006 and 2005 and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YP Corp. and subsidiaries as of September 30, 2006 and 2005, and the consolidated results of its operations and cash flows for each of the three years in the period ended September 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ Epstein, Weber & Conover, PLC
Scottsdale, Arizona
December 18, 2006

YP CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Assets	September 30, 2006	September 30, 2005
Cash and equivalents	$ 7,210,560	$ 6,114,311
Restricted cash	-	500,000
Certificates of deposit and other investments	2,266,268	2,004,987
Accounts receivable, net	6,741,781	5,338,533
Prepaid expenses and other current assets	259,069	602,103
Deferred tax asset	1,781,736	381,887
Total current assets	18,259,414	14,941,821
Accounts receivable, long term portion, net	1,140,179	873,299
Property and equipment, net	178,883	396,862
Deposits and other assets	91,360	62,029
Intangible assets, net	5,722,604	6,108,823
Deferred tax asset, long term	1,334,787	1,250,082
Total assets	$ 26,727,227	$ 23,632,916
Liabilities and Stockholders' Equity		
Accounts payable	$ 773,653	$ 655,527
Accrued liabilities	3,315,439	803,268
Income taxes payable	261,762	108,855
Total current liabilities	4,350,854	1,567,650
Series E convertible preferred stock, $.001 par value, 200,000 shares authorized, 127,840 issued and outstanding, liquidation preference $38,202	10,866	10,866
Common stock, $.001 par value, 100,000,000 shares authorized, 50,021,594 and 48,837,694 issued and outstanding	50,022	48,838
Treasury stock	(2,407,158)	(2,171,740)
Paid in capital	12,249,166	11,044,400
Deferred stock compensation	(2,854,122)	(3,247,535)
Retained earnings	15,327,599	16,380,437
Total stockholders' equity	22,376,373	22,065,266
Total liabilities and stockholders' equity	$ 26,727,227	$ 23,632,916

See accompanying notes to consolidated financial statements.

YP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended September 30, 2006	2005	2004
Net revenues	$ 36,881,164	$ 25,204,858	$ 57,168,105
Cost of services	8,069,239	3,980,619	24,757,880
Gross profit	28,811,925	21,224,239	32,410,225
Operating expenses:			
General and administrative expenses	13,800,456	13,030,614	12,686,336
Sales and marketing expenses	11,452,465	5,310,237	7,327,550
Depreciation and amortization	1,434,554	1,569,999	930,393
Total operating expenses	26,687,475	19,910,850	20,944,279
Operating income	2,124,450	1,313,389	11,465,946
Other income (expense):			
Interest expense and other financing costs	-	(8,610)	(19,123)
Interest income	224,176	242,965	327,145
Loss on attorneys general settlement	(3,525,000)	-	-
Other income (expense)	(186,325)	(550,409)	788,175
Total other income (expense)	(3,487,149)	(316,054)	1,096,197
Income (loss) before income taxes and cumulative effect of accounting change	(1,362,699)	997,335	12,562,143
Income tax benefit (provision)	311,779	(372,037)	(4,377,213)
Cumulative effect of accounting change (net of income taxes of $53,764 in 2005)	-	99,848	-
Net income (loss)	$ (1,050,920)	$ 725,146	$ 8,184,930
Net income (loss) per common share:			
Basic:			
Income (loss) applicable to common stock before cumulative effect of accounting change	$ (0.02)	$ 0.01	$ 0.17
Cumulative effect of accounting change	$ -	$ 0.00	$ -
Net income applicable to common stock	$ (0.02)	$ 0.02	$ 0.17
Diluted:			
Income (loss) applicable to common stock before cumulative effect of accounting change	$ (0.02)	$ 0.01	$ 0.17
Cumulative effect of accounting change	$ -	$ 0.00	$ -
Net income (loss) applicable to common stock	$ (0.02)	$ 0.02	$ 0.17
Weighted average common shares outstanding:			
Basic	44,958,683	46,390,356	47,375,927
Diluted	44,958,683	46,659,918	48,075,699

Certain amounts may not total due to rounding of individual components.
See accompanying notes to consolidated financial statements.

YP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Preferred Stock		Treasury	Paid-In	Deferred	Retained	
	Shares	Amount	Shares	Amount	Stock	Capital	Compensation	Earnings	Total
Balance, September 30, 2003	49,348,287	$ 49,349	131,840	$ 11,206	$ (216,422)	$ 9,359,865	$ (3,840,843)	$10,346,160	$15,709,315
Common stock issued for services	1,010,000	1,010				1,540,430	(1,541,440)		-
Series E preferred stock dividends								(1,957)	(1,957)
Common stock issued in restricted stock plan	515,000	515				1,520,636	(1,521,151)		-
Amortization of deferred stock compensation							1,160,620		1,160,620
Net income								8,184,930	8,184,930
Preferred shares converted to common	3,500	3	(3,500)	(297)		1,869			1,575
Common stock dividends								(1,427,640)	(1,427,640)
Treasury stock retired					216,422	(216,422)			-
Canceled stock	(18,000)	(18)				(54,432)			(54,450)
Balance, September 30, 2004	50,858,787	$ 50,859	128,340	$ 10,909	$ -	$12,151,946	$ (5,742,814)	$17,101,493	$23,572,393
Common stock issued for services	100,000	100				119,400			119,500
Treasury stock received as partial settlement of amounts due from affiliates	(1,889,566)	(1,889)			(1,606,131)	1,889			(1,606,131)
Treasury stock acquited as part of stock repurchase program	(601,250)	(601)			(565,609)	601			(565,609)
Series E preferred stock dividends								(1,439)	(1,439)
Conversion of Series E preferred stock	500		(500)	(43)		267			224
Common stock issued in restricted stock plan	885,723	886				529,490	(530,376)		-
Amortization of deferred stock compensation							1,419,557		1,419,557
Net income								725,146	725,146
Common stock dividends								(1,444,763)	(1,444,763)
Cumulative effect of accounting change						(1,166,426)	1,012,814		(153,612)
Effect of change in estimated forteiture rate for restricted stock plan						(593,284)	593,284		-
Canceled stock	(516,500)	(517)				517			(0)
Balance, September 30, 2005	48,837,694	$ 48,838	127,840	$ 10,866	$(2,171,740)	$11,044,400	$ (3,247,535)	$16,380,437	$22,065,266

Treasury stock acquired as part of stock repurchase program	(252,600)	(253)			(134,418)	253			(134,418)
Treasury stock acquired in connection with URL purchase	(100,000)	(100)			(101,000)	100			(101,000)
Series E preferred stock dividends								(1,918)	(1,918)
Common stock issued in restricted stock plan	2,396,500	2,397				1,288,021	(1,290,418)		-
Amortization of deferred stock compensation							1,599,363		1,599,363
Net income								(1,050,920)	(1,050,920)
Effect of change in estimated forfeiture rate for restricted stock plan		-				(84,468)	84,468		-
Canceled stock	(860,000)	(860)				860			-
Balance, September 30, 2006	50,021,594	$ 50,022	127,840	$ 10,866	$(2,407,158)	$12,249,166	$ (2,854,122)	$15,327,599	$22,376,373

See accompanying notes to consolidated financial statements.

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YP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended September 30,		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ (1,050,920)	$ 725,146	$ 8,184,930
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,434,554	1,569,999	930,392
Amortization of deferred stock compensation	1,599,363	1,419,557	1,160,620
Issuance of common stock as compensation for services	-	119,500	-
Non-cash interest income on advances to affiliates	-	(110,019)	-
Non-cash loss on transaction with affiliates	-	281,884	-
Cumulative effect of accounting change	-	(99,848)	-
Non-cash income recognized on return of common stock related to legal settlements	-	-	(54,450)
Deferred income taxes	(1,484,554)	(507,259)	1,673,829
(Gain) loss on disposal of equipment	(3,221)	-	3,992
Provision for uncollectible accounts	348,789	442,775	285,070
Changes in assets and liabilities:			
Restricted cash	500,000	(500,000)	-
Accounts receivable	(2,018,917)	3,783,010	(2,270,558)
Prepaid and other current assets	343,034	(1,365,853)	(668,643)
Deposits and other assets	(29,331)	177,031	(90,750)
Accounts payable	118,126	(554,838)	781,941
Accrued liabilities	2,510,253	260,786	(870,764)
Income taxes payable	(152,807)	1,348,290	(3,928,748)
Advances to affiliates	-	-	(318,658)
Net cash provided by operating activities	2,420,083	6,990,161	4,818,203
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advances made to affiliates and related parties	-	-	(3,050,000)
Repayments of advances made to affiliates and related parties	-	-	1,600,000
Investments in certificates of deposit and other investments	(261,281)	(2,004,987)	-
Expenditures for intangible assets	(801,416)	(391,077)	(391,442)
Proceeds from sale of equipment	-	-	34,320
Purchases of equipment	(25,719)	(44,728)	(385,378)
Net cash used in investing activities	(1,088,416)	(2,440,792)	(2,192,500)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Series E preferred stock dividends	-	(1,439)	(1,957)
Common stock dividends	-	(1,444,763)	(1,427,640)
Proceeds from conversion of preferred stock	-	224	1,575
Purchase of treasury stock	(235,418)	(565,609)	-
Net cash used in financing activities	(235,418)	(2,011,587)	(1,428,022)
INCREASE IN CASH AND CASH EQUIVALENTS	1,096,249	2,537,782	1,197,681
CASH AND CASH EQUIVALENTS, beginning of year	6,114,311	3,576,529	2,378,848
CASH AND CASH EQUIVALENTS, end of year	$ 7,210,560	$ 6,114,311	$ 3,576,529

See accompanying notes to consolidated financial statements.

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

YP Corp. (the "Company"), formally YP.Net, Inc. and RIGL Corporation, had previously attempted to develop software solutions for medical practice billing and administration. The Company had made acquisitions of companies performing medical practice billing services as test sites for its software and as business opportunities. The Company was not successful in implementing its medical practice billing and administration software products and looked to other business opportunities. The Company acquired Telco Billing, Inc. in June 1999, through the issuance of 17,000,000 shares of the Company's common stock. Prior to its acquisition of Telco, the Company had not generated significant or sufficient revenue from planned operations.

Telco was formed in April 1998, to provide advertising and directory listings for businesses on its Internet website in a "Yellow Pages" format. Telco provides those services to its subscribers for a monthly fee. These services are provided primarily to businesses throughout the United States. Telco became a wholly owned subsidiary of YP Corp. after the June 1999 acquisition.

At the time that the transaction was agreed to, the Company had 12,567,770 common shares issued and outstanding. As a result of the merger transaction with Telco, there were 29,567,770 common shares outstanding, and the former Telco stockholders held approximately 57% of the Company's voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Telco, under the purchase method of accounting, and was treated as a recapitalization with Telco as the acquirer. Consistent with reverse acquisition accounting, (i) all of Telco's assets, liabilities, and accumulated deficit were reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) were reflected at their net asset value as if issued on June 16, 1999.

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company, Telco and Telco of Canada, Inc, the Company's wholly owned subsidiaries, for the years ended September 30, 2006, 2005, and 2004. All amounts, except share and per share amounts, are rounded to the nearest thousand dollars.

2. 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 September 30, 2006 and 2005, cash deposits exceeded those insured limits by $6,699,000 and $5,883,000, respectively.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Telco Billing, Inc and Telco of Canada, Inc. All significant intercompany accounts and transactions are eliminated.

Customer Acquisition Costs. In the fourth quarter of fiscal 2006, the Company enacted a change in accounting principle to expense customer acquisition costs when incurred. Prior periods have been restated to reflect the retroactive application of this change. See Note 3.

Property and Equipment: Property and equipment is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 5 years. Depreciation expense was $247,000, $374,000, and $352,000 for the years ended September 30, 2006, 2005, and 2004, respectively.

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 perform billing services through two primary channels:

- direct ACH withdrawals; and
- inclusion on the customer's local telephone bill provided by their Local Exchange Carriers, or LECs.

For billings via ACH withdrawals, revenue is recognized when such billings are accepted. For billings via LECs, the Company recognizes revenue based on net billings accepted by the LECs. Due to the periods of time for which adjustments may be reported by the LECs 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. Such dilution and fees are reported in cost of services in the accompanying Consolidated Statement of Operations. Customer refunds are recorded as an offset to gross revenue.

Revenue for billings to certain customers that are billed directly by the Company and not through the outside billing companies 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 SFAS 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.

Net (Loss) / 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.*

Financial Instruments: Financial instruments consist primarily of cash, accounts receivable, advances to affiliates 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 carrying amount of the advances to affiliates approximates fair value because the Company charges what it believes are market rate interest rates for comparable credit risk 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.

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, the estimated reserve for doubtful accounts receivable, estimated customer retention period used for the amortization of customer acquisition costs, estimated forfeiture rates for stock-based compensation, and estimated useful lives for intangible assets and property and equipment.

Stock-Based Compensation: The Company from time-to-time grants restricted stock awards to employees and executives. Such awards are recorded as an increase to common stock and paid in capital on the grant date with an offsetting amount of deferred compensation in stockholders' equity. This deferred compensation cost is amortized on a straight-line basis over the vesting period.

The Company accounts for stock awards issued to non-employees in accordance with the provisions of SFAS 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18 *Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services*. Under SFAS 123 and EITF 96-18, stock awards to non-employees are accounted for at fair value at their respective measurement date.

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Impairment of Long-lived Assets: The Company assesses long-lived assets for impairment in accordance with the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS 144 requires that the Company assess the value of a long-lived asset whenever there is an indication that its carrying amount may not be recoverable. The carrying amount of a long lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value. For purposes of these tests, long-lived assets must be grouped with other assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. No long-lived assets were impaired during the years ended September 30, 2006, 2005, and 2004.

Recently Issued Accounting Pronouncements:

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"). Under this new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB 25. Instead, companies will be required to account for such transactions using a fair-value method and to recognize the expense over the service period. This new standard also changes the way in which companies account for forfeitures of share-based compensation instruments. SFAS 123R became effective for fiscal years beginning after June 15, 2005 and allowed for several alternative transition methods. In light of this new standard, the Company decided to change its method of accounting for forfeitures of restricted stock, under current GAAP rules effective October 1, 2004. See Note 3. The Company adopted the provisions of SFAS 123R in the first quarter of fiscal 2006 on a prospective basis and does not have a material effect on its financial condition or results of operations.

In September of 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 establishes a framework for measuring fair value under generally accepted accounting procedures and expands disclosures on fair value measurements. This statement applies under previously established valuation pronouncements and does not require the changing of any fair value measurements, though it may cause some valuation procedures to change. Under SFAS No. 157, fair value is established by the price that would be received to sell the item or the amount to be paid to transfer the liability of the asset as opposed to the price to be paid for the asset or received to transfer the liability. Further, it defines fair value as a market specific valuation as opposed to an entity specific valuation, though the statement does recognize that there may be instances when the low amount of market activity for a particular item or liability may challenge an entity's ability to establish a market amount. In the instances that the item is restricted, this pronouncement states that the owner of the asset or liability should take into consideration what affects the restriction would have if viewed from the perspective of the buyer or assumer of the liability. This statement is effective for all assets valued in financial statements for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 157 to its financial position and result of operations.

In September of 2006, the Securities and Exchange Commission released Staff Accounting Bulletin No. 108 "Considering the effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 suggests that a registrant's materiality evaluation of an identified unadjusted error should quantify the effects of the identified unadjusted error on each financial statement and related financial statement disclosure. SAB 108 was issued on September 13, 2006. The Company's adoption of SAB No. 108 is not expected to impact its financial position and results of operations.

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING CHANGES

Change in Accounting Principle Subsequent to Adoption of FAS 154 - Accounting for Customer Acquisition Costs

Historically, the Company has capitalized customer acquisition costs consisting of mailing lists and check mailers and amortized them on a straight-line basis over the average expected life of the related customers based on historical IAP advertiser attrition rates and other factors.

Prior to fiscal 2006, the majority of the capitalized customer acquisition costs related to the Company's mailing campaigns for which the Company amortized the costs based on historical IAP advertiser attrition rates attributable to its entire customer base. During fiscal 2006, the Company began increasing its expenditures for telemarketing campaigns. The capitalization of such costs requires that the Company amortize them over the average expected life of acquired customers, as determined on a cost-pool by cost-pool basis. The Company's systems do not allow us to efficiently and accurately monitor customer lives by method of acquisition. Therefore, the Company is unable to determine the average expected life of those customers acquired via telemarketing versus those acquired via mailing campaigns and cannot assess the value of the future benefits. As it cannot effectively evaluate such costs on a cost-pool by cost-pool basis, the Company determined in fiscal 2006 that the more preferable method of accounting for these costs is to expense them when incurred. The Company enacted this change in accounting principle during the fourth quarter of fiscal 2006 and, in accordance with FAS 154, it has restated all periods presented to reflect this new method of accounting for such costs.

The following tables set forth the impact of such a change on the Company's financial statements:

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Income Statement

	Year Ended September 30, 2006		
	As computed prior to change	As reported after change	Effect of change
Sales and marketing expense	$ 8,959,000	$ 11,452,000	$ 2,493,000
Income tax expense (benefit)	$ 620,000	$ (312,000)	$ (932,000)
Net income (loss)	$ 511,000	$ (1,051,000)	$ (1,562,000)
Net income (loss) per common share:			
Basic	$ 0.01	$ (0.02)	$ (0.03)
Diluted	$ 0.01	$ (0.02)	$ (0.03)

	Year Ended September 30, 2005		
	As Originally Reported	As Adjusted	Effect of change
Sales and marketing expense	$ 7,455,000	$ 5,310,000	$ (2,145,000)
Income tax expense (benefit)	$ (429,000)	$ 372,000	$ 801,000
Net income (loss)	$ (618,000)	$ 725,000	$ 1,343,000
Net income (loss) per common share:			
Basic	$ (0.01)	$ 0.02	$ 0.03
Diluted	$ (0.01)	$ 0.02	$ 0.03

	Year Ended September 30, 2004		
	As Originally Reported	As Adjusted	Effect of change
Sales and marketing expense	$ 6,089,000	$ 7,328,000	$ 1,239,000
Income tax expense (benefit)	$ 4,840,000	$ 4,377,000	$ (463,000)
Net income (loss)	$ 8,961,000	$ 8,185,000	$ (776,000)
Net income (loss) per share:			
Basic	$ 0.19	$ 0.17	$ 0.02
Diluted	$ 0.19	$ 0.17	$ 0.02

Balance Sheet

	September 30, 2006		
	As computed prior to change	As reported after change	Effect of change
Customer acquisition costs, net	$ 4,831,000	$ -	$ (4,831,000)
Deferred tax asset (liability), long term	$ (470,000)	$ 1,335,000	$ 1,805,000
Retained earnings	$ 18,354,000	$ 15,328,000	$ (3,026,000)
Total stockholders' equity	$ 25,402,000	$ 22,376,000	$ (3,026,000)

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	September 30, 2005		
	As Originally Reported	As Adjusted	Effect of change
Customer acquisition costs, net	$ 2,338,000	$ -	$ (2,338,000)
Deferred tax asset (liability), long term	$ 377,000	$ 1,250,000	$ 873,000
Retained earnings	$ 17,845,000	$ 16,380,000	$ (1,464,000)
Total stockholders' equity	$ 23,530,000	$ 22,065,000	$ (1,464,000)
	$ -	$ -	$ -

Statement of Cash Flows

	Year Ended September 30, 2006		
	As computed prior to change	As reported after change	Effect of change
Net income (loss)	$ 511,000	$ (1,051,000)	$ (1,562,000)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Deferred income taxes	$ (86,000)	$ (1,018,000)	$ (932,000)
Changes in assets and liabilities:			
Customer acquisition costs	$ (2,493,000)	$ -	$ 2,493,000
Net cash provided by operating activities	$ 2,420,000	$ 2,420,000	$ -

	Year Ended September 30, 2005		
	As Originally Reported	As Adjusted	Effect of change
Net income (loss)	$ (618,000)	$ 725,000	$ 1,343,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Deferred income taxes	$ (1,308,000)	$ (507,000)	$ 801,000
Changes in assets and liabilities:			
Customer acquisition costs	$ 2,145,000	$ -	$ (2,145,000)
Net cash provided by operating activities	$ 6,990,000	$ 6,990,000	$ -

	Year Ended September 30, 2004		
	As Originally Reported	As Adjusted	Effect of change
Net income (loss)	$ 8,961,000	$ 8,185,000	$ (776,000)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Deferred income taxes	$ 2,137,000	$ 1,674,000	$ (463,000)
Changes in assets and liabilities:			
Customer acquisition costs	$ (1,239,000)	$ -	$ 1,239,000
Net cash provided by operating activities	$ 4,818,000	$ 4,818,000	$ -

Change in Accounting Principle Prior to Adoption of FAS 154 - Accounting for Forfeitures of Restricted Stock

Effective October 1, 2004, the Company changed its method of accounting for forfeitures of restricted stock granted to employees, executives and consultants. Prior to this date, the Company recognized forfeitures as they occurred. Upon occurrence, the Company reversed the previously recognized expense associated with such grant. Effective October 1, 2004, the Company changed to an expense recognition method that is based on an estimate of the number of shares for which the service is expected to be rendered. The Company believes that this is a preferable method as it provides less volatility in expense recognition.

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The impact of this change for periods prior to October 1, 2004 was an increase to income of $100,000 (less than $0.01 per share), net of taxes of $54,000, and has been reflected as a cumulative effect of a change in accounting principle in the Company's consolidated statement of operations for the year ended September 30, 2005. Because stock grants are now recorded net of estimated forfeitures, the cumulative effect of this change also reduced Additional Paid in Capital and Deferred Compensation by $1,013,000 and $1,166,000, respectively, at October 1, 2004. The effect of the change was to increase net income by $108,000 (net of income taxes of $64,000) for the year ended September 30, 2005.

The estimated pro forma effects of the accounting change on the Company's results of operations for the year ended September 30, 2004 is as follows:

	Year Ended September 30, 2004
As reported:	
Net income	$ 8,185,000
Basic net income per share	$ 0.17
Diluted net income per share	$ 0.17
Pro forma amounts reflecting the accounting change applied retroactively:	
Net income	$ 8,301,000
Basic net income per share	$ 0.18
Diluted net income per share	$ 0.17
Weighted average common shares outstanding:	
Basic	47,375,927
Diluted	48,075,699

4. BALANCE SHEET INFORMATION

Balance sheet information is as follows:

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	September 30, 2006	September 30, 2005
Receivables, current, net		
Accounts receivable, current	$ 11,027,000	$ 6,451,000
Less: Allowance for doubtful accounts	(4,285,000)	(1,112,000)
	$ 6,742,000	$ 5,339,000
Receivables, long term, net		
Accounts receivable, long term	$ 1,374,000	$ 982,000
Less: Allowance for doubtful accounts	(234,000)	(109,000)
	$ 1,140,000	$ 873,000
Total receivables, net		
Gross receivables	$ 12,401,000	$ 7,433,000
Gross allowance for doubtful accounts	(4,519,000)	(1,221,000)
	$ 7,882,000	$ 6,212,000
Components of allowance for doubtful accounts are as follows:		
Allowance for dilution and fees on amounts due from billing aggregators	$ 2,288,000	$ 923,000
Allowance for customer refunds	2,231,000	298,000
	$ 4,519,000	$ 1,221,000
Property and equipment, net		
Leasehold improvements	$ 448,000	$ 439,000
Furnishings and fixtures	296,000	295,000
Office, computer equipment and other	1,055,000	1,040,000
	1,799,000	1,774,000
Less: Accumulated depreciation	(1,620,000)	(1,377,000)
	$ 179,000	$ 397,000
Intangible assets, net		
Domain name	$ 5,709,000	$ 5,510,000
Non-compete agreement	3,465,000	3,465,000
Website development	1,009,000	781,000
Software licenses	428,000	53,000
	10,611,000	9,809,000
Less: Accumulated amortization of intangible	(4,888,000)	(3,700,000)
	$ 5,723,000	$ 6,109,000
Accrued liabilities		
Litigation accrual	$ 2,958,000	$ 382,000
Deferred revenue	188,000	291,000
Accrued expenses - other	169,000	130,000
	$ 3,315,000	$ 803,000

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. ACCOUNTS RECEIVABLE

The Company provides billing information to third party billing companies for the majority of its monthly billings. Two billing channels account for the majority of the Company's accounts receivable. Billings submitted are "filtered" by these billing companies and the LECs. 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 LECs by those billing companies. The billing companies and LECs 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 amounts will vary due to numerous factors and the Company may not be certain as to the actual amounts 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 LECs and the billing companies.

The handling and processing of cash receipts pertaining to trade accounts receivable is maintained primarily by three third-party billing companies. The gross receivable due from such billing services providers represented 27%, 27% and 27%, respectively, of the Company's total gross accounts receivable at September 30, 2006.

Subscription receivables that are directly billed by the Company are valued and reported at the estimated future collection amount. Determining the expected collections requires an estimation of both uncollectible accounts and refunds. The net direct-billed subscriptions receivable at September 30, 2006 and 2005, respectively, were $260,000 and $372,000.

Certain receivables have been classified as long-term because issues arise whereby the billing companies change holdback terms and collection experience is such that collection can extend beyond one year. The breakdown of current and long-term receivables and their respective allowances is in Note 4 above.

6. INTANGIBLE ASSETS

The Company's intangible assets consist of licenses for the use of Internet domain names or Universal Resource Locators, or URLs, capitalized website development costs, and other information technology licenses. All such licenses are capitalized at their original cost and amortized over their estimated useful lives.

In connection with the Company's acquisition of Telco, the Company was required to provide an accelerated payment of license fees for the use of the URL Yellow-page.net. The URL is recorded at its cost of $5,000,000, net of accumulated amortization. The URL is amortized on an accelerated basis over the twenty-year term of the licensing agreement. Amortization expense on the URL was $238,000, $285,000, and $317,000 for the years ended September 30, 2006, 2005, and 2004, respectively.

In July 2003, the Company entered into a licensing agreement with a vendor to license the use of the URL www.yp.com in exchange for cash and restricted shares of the Company's common stock. Under the terms of this agreement, the licensor had the option of transferring the rights to the URL and the restricted shares to the Company in exchange for $300,000. In July 2006, the licensor exercised this option, and transferred ownership of the URL and the restricted shares to the Company. As this option was deemed to be a purchase commitment, no liability was reflected in the Company's financial statements prior to the exercise of the option. The Company capitalized the URL at its net acquisition price, computed as the $300,000 cash payment less the fair market value of the shares acquired (determined based on the stock price on the date of reacquisition) and will amortize this asset on a straight-line basis over its estimated useful life.

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following summarizes the estimated future amortization expense related to intangible assets:

Years ended September 30,		
2007	$	1,266,000
2008		1,185,000
2009		1,063,000
2010		590,000
2011		186,000
Thereafter		1,433,000
Total	$	5,723,000

7. STOCKHOLDERS' EQUITY

Common Stock Issued for Services

The Company historically has granted shares of its common stock to officers, directors and consultants as payment for services rendered. The value of those shares was determined based on the trading value of the stock at the dates on which the agreements were made for the services. During the year ended September 30, 2006, there were no shares granted to officers directors and consultants other than grants of restricted stock as described in Note 13. During the year ended September 30, 2005, the Company issued 100,000 shares to a consulting firm valued at $119,500. During the year ended September 30, 2004, the Company issued 1,010,000 shares of common stock to officers and directors, or entities controlled by those individuals, valued at $1,541,000.

Common Shares Received and Retired Under Legal Settlements

During the year ended September 30, 2004, the Company settled litigation with a former officer which involved, among other things, the return of 18,000 shares of the Company's common stock. This transaction resulted in a net gain of $54,000 included in other income in the accompanying consolidated statement of operations. These shares were canceled when received.

Common Stock Repurchased from Vendor

The Company recorded these shares as treasury stock based on their fair market value at the date of acquisition.

Series E Convertible Preferred Stock

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. 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 are 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.

Treasury Stock

The Company's treasury stock consists of shares repurchased on the open market or shares received through various agreements with third parties. The value of such shares is determined based on cash paid or quoted market prices. During fiscal 2004, all then-outstanding treasury shares, valued at $216,000 were retired. On April 1, 2005, the Company acquired 1,889,566 shares valued at $1,606,000 as partial settlement of amounts due from affiliates as described in Note 11. On May 18, 2005, the Company's Board of Directors authorized a plan to repurchase up to $3,000,000 of common stock from time to time on the open market or in privately negotiated transactions. In fiscal 2006 the Company acquired 252,600 shares for $134,000 and in fiscal 2005, the Company acquired 601,250 shares for $566,000 under this plan. In July 2006, the Company acquired 100,000 shares valued at $101,000 in connection with an option agreement as described in Note 6.

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dividends

During the years ended September 30, 2006 and 2005, the Company paid dividends of $0 and $1,445,000, respectively, to holders of common stock, including restricted stock, and $1,900 and $1,400, respectively, to holders of Series E preferred stock. Dividends paid on unvested shares of common stock are charged to compensation expense. The amount of dividends charged to compensation expense in fiscal 2006 and 2005 were $0 and $76,000, respectively.

8. NET INCOME PER SHARE

Net income per share is calculated using the weighted average number of shares of common stock outstanding during the year. Preferred stock dividends are subtracted from net income to determine the amount available to common stockholders.

The following table presents the computation of basic and diluted loss per share from continuing operations:

	Year Ended September 30, 2006	Year Ended September 30, 2005	Year Ended September 30, 2004
Income (loss) before cumulative effect of accounting change	$ (1,051,000)	$ 625,000	$ 8,185,000
Less: preferred stock dividends	(2,000)	(1,000)	(2,000)
Income (loss) applicable to common stock before cumulative effect of accounting change	(1,053,000)	624,000	8,183,000
Cumulative effect of accounting change	-	100,000	-
Net income (loss) applicable to common stock	$ (1,053,000)	$ 724,000	$ 8,183,000
Basic weighted average common shares outstanding:	44,958,683	46,390,356	47,375,927
Add incremental shares for:			
Unvested restricted stock	-	186,470	510,745
Series E convertible preferred stock	-	73,577	104,032
Outstanding warrants	-	9,515	84,995
Diluted weighted average common shares outstanding:	44,958,683	46,659,918	48,075,699
Net income (loss) per share:			
Basic:			
Income (loss) applicable to common stock before cumulative effect of accounting change	$ (0.02)	$ 0.01	$ 0.17
Cumulative effect of accounting change	$ -	$ 0.00	$ -
Net income (loss) applicable to common stock	$ (0.02)	$ 0.02	$ 0.17
Diluted:			
Income (loss) applicable to common stock before cumulative effect of accounting change	$ (0.02)	$ 0.01	$ 0.17
Cumulative effect of accounting change	$ -	$ 0.00	$ -
Net income (loss) applicable to common stock	$ (0.02)	$ 0.02	$ 0.17

Note: Certain amounts may not total due to rounding of individual components

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The following potentially dilutive securities were excluded from the calculation of net income (loss) per share because the effects are antidilutive:

	September 30,		
	2006	**2005**	**2004**
Warrants to purchase shares of common stock	-	437,500	-
Series E convertible preferred stock	127,840	-	-
Shares of non-vested restricted stock	3,718,575	1,614,035	-
	4,346,415	1,614,035	-

9. COMMITMENTS AND CONTINGENCIES

The Company leases its office space and certain equipment under long-term operating leases expiring through fiscal year 2008. Rent expense under these leases was $341,000, $365,000, and $370,000 for the years ended September 30, 2006, 2005 and 2004, respectively.

At September 30, 2006, future minimum annual lease payments under operating lease agreements for fiscal years ended September 30 are as follows:

Fiscal 2007	$	296,000
Fiscal 2008		160,000
Fiscal 2009		117,000
Fiscal 2010		117,000
Fiscal 2011		88,000
Thereafter		-
	$	778,000

Termination and Employment Agreements with Related Parties

See Note 11.

Litigation

The Company is party to certain legal proceedings incidental to the conduct of its business. Management believes that the outcome of pending legal proceedings will not, either individually or in the aggregate, have a material adverse effect on its business, financial position, and results of operations, cash flows or liquidity.

During the second quarter of fiscal 2006, the Company settled outstanding litigation with a former vendor, resulting in a cash payment of $490,000. As $328,000 of the settlement was previously accrued, there was $162,000 of expense incurred in the year ended September 30, 2006 associated with this settlement. In connection with this payment, the Company is no longer required to maintain our bond that was previously reflected as restricted cash in the accompanying balance sheet included elsewhere in this Annual Report. Accordingly, the bond has been released and this amount has been reclassified from restricted cash to cash in the balance sheet as of September 30, 2006.

The Company has received numerous inquiries from the Attorney General offices of several states investigating its promotional activities, specifically, the use of its check mailer for customer activation. On December 14, 2006, the Company voluntarily entered into a settlement with thirty-four states’ attorneys general to address their inquiries and bring finality to the process. The Company has voluntarily agreed to the following:

- The Company will pay a settlement fee of $2,000,000 to the state consortium, which they may distribute among themselves;
- The Company will discontinue the use of activation checks as a promotional incentive;
- The Company will suspend billing of any active customer that was acquired in connection with the use of an activation check until a letter is mailed notifying the customer of their legal rights to cancel the service and providing them a 60-day opportunity to receive a refund equivalent to the customer's last two payments; and
- The Company will not employ any collection efforts with respect to past-due accounts of customers that were secured through the use of an activation check, nor will it represent its ability to do so.

The Company has recorded a charge of $3,525,000 in other income and expense in the accompanying consolidated statement of operations for fiscal 2006, consisting of a settlement accrual of $2,000,000, a reserve for refunds to existing customers covered by the 60 day opportunity mentioned above and other related costs of $1,250,000 and legal fees of $275,000. Management has analyzed the number of customers eligible and applied probabilities to estimate additional $1,250,000 in refunds and costs. Customers have through February 2007 to apply these refunds. Actual refunds may differ from these estimates.

Other Contractual Commitments

During the second quarter of fiscal 2006, the Company entered into a contractual arrangement with an attorney to settle previous claims and to engage the future services of this attorney. Under the terms of the arrangement, the Company made cash payments during the year totaling $145,000 and granted 100,000 shares of restricted stock. Under the terms of the agreement, the Company is obligated to make future payments over the next two years totaling $339,750 in exchange for future services. Future amounts payable under this agreement have not been accrued in the accompanying financial statements as such payments are for future services.

During the third quarter of fiscal 2006, we entered into a contractual arrangement with a consulting firm to provide strategic and operational related consulting services. Under the terms of the agreement, we are obligated to make future payments through July 2009 that vary based on the Company's billed customer count subject to a minimum of $20,000 per month. Current payments are approximately $100,000 per month. Future amounts payable under this agreement have not been accrued in the accompanying financial statements as such payments are for future services.

10. 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.

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Income taxes for years ended September 30, is summarized as follows:

	2006	2005	2004
Current provision	$ 1,173,000	$ 880,000	$ 3,682,000
Deferred (benefit) provision	(1,485,000)	(508,000)	695,000
Net income tax (benefit) provision	$ (312,000)	$ 372,000	$ 4,377,000

A reconciliation of the differences between the effective and statutory income tax rates for years ended September 30, is as follows:

	2006		2005		2004	
	Amount	Percent	Amount	Percent	Amount	Percent
Federal statutory rates	$ (463,000)	34%	$ 339,000	34%	$ 4,271,000	34%
State income taxes	(46,000)	3%	34,000	3%	301,000	2%
Write off of deferred tax asset related to vested restricted stock	217,000	(16%)				
Other	(20,000)	1%	(1,000)	(0)%	(195,000)	(2)%
Effective rate	$ (312,000)	22%	$ 372,000	37%	$ 4,377,000	35%

At September 30, deferred income tax assets and liabilities were comprised of:

	2006	2005
Deferred income tax assets:		
Book to tax differences in accounts receivable	$ 1,315,000	$ 286,000
Book to tax differences in accrued expenses	467,000	119,000
Book to tax differences for stock based compensation	1,280,000	1,235,000
Book to tax differences in intangible assets	122,000	118,000
Total deferred income tax asset	3,184,000	1,758,000
Deferred income tax liabilities:		
Book to tax differences in depreciation	67,000	126,000
Book to tax differences in prepaid assets	-	-
Book to tax differences in customer acquisition costs	-	
Total deferred income tax liability	67,000	126,000
Net deferred income tax asset (liability)	$ 3,117,000	$ 1,632,000

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11. RELATED PARTY TRANSACTIONS

Changes in Officers and Directors

Prior to fiscal 2004, the Company entered into Executive Consulting Agreements with four entities, each of which was controlled by one of the Company's four former executive officers. These agreements called for fees to be paid for the services provided by these individuals as officers of the Company, as well as their respective staffs. During fiscal 2004, the Company terminated the Executive Consulting Agreements with the entities controlled by its former CEO, former Executive Vice President of Marketing, and former CFO. In fiscal 2005, the Company terminated the remaining Executive Consulting Agreement with the entity controlled by a former Executive Vice President. These termination agreements provided for cash payments totaling $2,145,000 in exchange for consulting services and non-compete agreements. Approximately $1,643,000 of the settlement payments described above has been allocated to non-compete agreements. The values attributed to the non-compete agreements are being amortized on a straight line basis over the six-year life of the non-compete agreements. The remaining $502,000 was allocated to the consulting service portion of the termination agreements, which were originally expected to be rendered over a two-year period, In the fourth quarter of fiscal 2005, however, the Company concluded all matters with respect to these parties, made all remaining payments owed under the termination agreements, and expensed the remaining unamortized amount of $212,000 attributed to the consulting services. All amounts related to these agreements were paid by September 30, 2005.

During the fourth quarter of fiscal 2005, the Company entered into a separation agreement with its Chief Operating Officer. Under the agreement, the Company made a cash payment of $80,000. No further amounts are owed under this agreement.

On November 3, 2005, the Company entered into a Separation Agreement with its Chief Executive Officer. Under the terms of the agreement, the Company made a cash payment of $337,500 in the second quarter of fiscal 2006. The agreement also provides for the continued vesting of 700,000 shares of the Chief Executive Officers' restricted stock awards that were granted in fiscal 2004 and 2005.

At a meeting of the Board of Directors of the Company, held on January 8, 2006, John T. Kurtzweil, R.A. Johnson-Clague, Peter J. Bergmann and Paul Gottlieb each resigned from the Board of Directors of the Company and the respective committees of the Board of Directors on which they were serving. Subsequent to the foregoing resignations, Joseph F. Cunningham, Jr. and Elisabeth Demarse were elected to the Board of Directors of the Company. In addition, Daniel L. Coury, Sr., a current member of the Board of Directors, was elected Chairman of the Board and Mr. Cunningham was appointed to serve as the Chairman of the Audit Committee of the Board of Directors.

On January 19, 2006, the Company entered into a Separation Agreement & General Release with its Chief Financial Officer. Under the terms of the agreement, the Company made a cash payment of approximately $95,000 in the second quarter of fiscal 2006. The agreement also provides for the continued vesting of the Chief Financial Officers' restricted stock awards (totaling 150,000 shares) that were granted in fiscal 2004 and 2005.

On August 12, 2006, the Company elected Benjamin Milk and Richard Butler as new independent members of the Company's Board of Directors. Mr. Milk is a past Executive Director of the SEC and will sit on the Nominating and Corporate Governance Committee. Mr. Butler is a past president of two California financial institutions and will serve as Chairman of the Company's Compensation Committee.

Effective September 19, 2006, the Company appointed Mr. Coury to serve as its permanent Chief Executive Officer and President, subject to the terms of his employment agreement. Mr. Coury will remain a member of the Company's Board of Directors; however, he has resigned his position as Chairman of the Board. Joseph Cunningham, the Chairman of the Company's Audit Committee, will also assume the title of Chairman of the Board.

On September 19, 2006, the Company entered into an employment agreement with Daniel L. Coury, Sr., which calls for Mr. Coury to serve as the Chief Executive Officer and President of the Company. Mr. Coury has acted as interim Chief Executive Officer since January 25, 2006. As permanent Chief Executive Officer and President, Mr. Coury will receive a salary of $420,000, plus 10% annual salary increases, beginning with the Company's fiscal year ending September 30, 2008; an annual bonus of $150,000, provided the Company obtains certain performance measures as established by the Company's Board of Directors; a one time bonus of $150,000 if and when the common stock of the Company is listed on a national exchange; and a grant of 1,000,000 shares of restricted stock of the Company ("Restricted Shares"), which vest upon the earlier to occur of three years or a "change of control" (as defined in the Company's 2003 Stock Plan); provided, however, that Mr. Coury is obligated to return 1/3 of the Restricted Shares at the end of each fiscal year unless certain performance targets are reached for that fiscal year.

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Additionally, in the event that Mr. Coury terminates his employment for "good reason" or the Company terminates his employment other than for "Cause" or on account of his death or "disability," as each of those terms is defined in the employment agreement, Mr. Coury will receive 12 months of continuing salary, and all restricted stock granted to the employee prior to the employment agreement and the portion of the Restricted Shares that remain unvested and for which the annual risk of forfeiture has lapsed due to annual performance targets being achieved will be immediately accelerated.

On September 19, 2006, the Company also amended the employment agreements of Gary Perschbacher, the Company's Chief Financial Officer, and John Raven, the Company's Chief Operating Officer. Mr. Perschbacher's amended employment agreement provides for an extension of the term until September 20, 2009; 10% annual salary increases, beginning with the Company's fiscal year ending September 30, 2008; and a grant of 100,000 shares of restricted stock of the Company pursuant to the Company's 2003 Stock Plan. Mr. Raven's amended employment agreement provides for an extension of the term until September 20, 2009; an annual salary of $220,000, plus 10% annual salary increases, beginning with the Company's fiscal year ending September 30, 2008; a $25,000 cash bonus upon execution of the employment agreement; and a grant of 25,000 shares of restricted stock of the Company pursuant to the Company's 2003 Stock Plan.

On September 19, 2006, the Company also granted to Joseph Cunningham, a member of the Company's Board of Directors, 100,000 shares of restricted stock of the Company in connection with his appointment to serve as Chairman of the Board of Directors and Chairman of the Company's Audit Committee. Mr. Cunningham will receive an aggregate of $6,000 per month in lieu of all other director compensation for his service as Chairman of the Board and Chairman of the Audit Committee.

12. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at banks in Arizona and Nevada. Accounts are insured by the Federal Deposit Insurance Corporation up to $100,000. At September 30, 2006 and 2005, the Company had bank balances exceeding those insured limits of $6,699,000 and $5,883,000, respectively.

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily trade accounts receivable. The trade accounts receivable are due primarily from business customers over widespread geographical locations within the LEC billing areas across the United States. The Company historically has experienced significant dilution and customer credits due to billing difficulties and uncollectible trade accounts receivable. The Company estimates and provides an allowance for uncollectible accounts receivable. The handling and processing of cash receipts pertaining to trade accounts receivable is maintained primarily by three third-party billing companies. The Company is dependent upon these billing companies for collection of its accounts receivable. The gross receivable due from such billing services providers represented 27%, 27% and 27%, respectively, of the Company's total gross accounts receivable at September 30, 2006.

13. STOCK BASED COMPENSATION

During the year ended September 30, 2003, the Company's board of directors and a majority of it stockholders voted to terminate the Company's 2002 Employees, Officers & Directors Stock Option Plan and approved the Company's 2003 Stock Plan. The 3,000,000 shares of Company common stock previously allocated to the 2002 Plan were re-allocated to the 2003 Plan. During the year ended September 30, 2004, an additional 2,000,000 shares were authorized by the board of directors and approved by the Company's stockholders to be issued under the 2003 Plan. All Company personnel and contractors are eligible to participate in the plan.

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As of September 30, 2006, 4,879,750 shares authorized under the 2003 Plan were granted and remain outstanding, of which 999,750 have vested and 3,879,750 are in the form of restricted stock. These shares of restricted stock were granted to the Company's service providers, executives and directors. Of the 3,879,750, 2,923,750 shares vest on a cliff basis 3 years from the date of grant, 537,500 vest on a cliff basis 5 years from the date of grant, and 419,000 vest on a cliff basis 10 years from the date of grant. Certain market performance criteria may accelerate the vesting of a portion of these awards if the stock price exceeds $5 per share. As of September 30, 2006, total unrecognized compensation cost related to nonvested awards was $2,854,122. The weighted average period over which such compensation cost is to be recognized is 3.2 years.

The vesting of substantially all shares of restricted stock accelerates upon a change of control, as defined in the 2003 Plan. Compensation expense is determined at the date of grant, is equal to the stock price at the date of grant, and is deferred and recognized on a straight-line basis over the vesting period. The weighted-average grant-date fair value of the shares outstanding is $1.34 per share.

During the year ended September 30, 2004, the Company issued an additional 1,000,000 shares of restricted common stock outside of the 2003 Plan to an officer of the Company valued at $1,540,000. At September 30, 2006, 600,000 of these shares remain outstanding. During the year ended September 30, 2004, the Company issued 10,000 shares to an employee valued at $1,000 that were not subject to any vesting provisions.

During the years ended September 30, 2006, 2005, and 2004, the Company recognized compensation expense of $1,599,000, $1,420,000, and $1,161,000, respectively, under the 2003 Plan and other restricted stock issuances.

At September 30, 2006, there were no options exercisable or outstanding. No options were granted in the years ended September 30, 2006, 2005 and 2004.

The Company has issued warrants in connection with certain debt and equity transactions. Warrants outstanding are summarized as follows:

	2006		2005		2004	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at beginning of year	500,000	$ 2.12	500,000	$ 2.12	500,000	$ 2.12
Granted	-	-	-	-	-	-
Expired	(500,000)	2.12	-	-	-	-
Exercised	-	-	-	-	-	-
Warrants outstanding at September 30,	-	$ -	500,000	$ 2.12	500,000	$ 2.12

The warrants were granted in the year ended September 30, 2001 in connection with the settlement with the former URL holder (See Note 6). The exercise prices of the warrants range from $1.00 to $3.00. The fair value of these options at the date of grant was negligible, estimated using the Black-Scholes option-pricing model. The 500,000 warrants outstanding at September 30, 2005, expire in September 2006.

14. EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) profit sharing plan for its employees and service providers who are eligible to participate in the plan upon reaching age 21 and completion of three months of service. The Company made contributions of $8,000, $7,000, and $7,000 to the plan for the years ended September 30, 2006, 2005, and 2005, respectively.

15. OTHER INCOME (EXPENSE)

In addition to interest income and interest expense, other income (expense) includes the following items:

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Year ended September 30, 2006

a. A loss of $3,525,000 consisting of a settlement accrual of $2,000,000, a reserve for refunds of $1,250,000 and legal fees of $275,000 related to the attorneys general settlement described in Note 9; and

b. A loss of $162,000 consisting of an additional accrual for the settlement of a matter with a former public relations vendor;

Year ended September 30, 2005

- A loss of $282,000 from the Transfer and Repayment Agreement as described above in Note 11 above. This amount is equal to the difference between the carrying value of Advances to Affiliates and the value of the consideration received;

- A loss of $328,000 from an arbitration judgment involving disputed fees associated with a former public relations firm described in Note 9 above; and

- The elimination of $287,000 in other income in fiscal 2005 as the result of a termination agreement with Simple.Net, Inc. See Note 11 above for further discussion.

Year ended September 30, 2004

- Other income of $287,000 from an agreement with Simple.Net, Inc. for technical services provided to an affiliate;

- $54,000 from the receipt of stock in accordance with the settlement of a dispute; and

- $600,000 relating to the reversal of previously accrued compensation cost for former executives, for which payment is no longer expected, offset by other miscellaneous amounts.

16. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial information for 2006 and 2005 follows:

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	Quarter Ended			
	December 31, 2005	March 31, 2006	June 30, 2006	September 30, 2006
Net revenues	$ 7,626,776	$ 8,999,196	$ 10,172,705	$ 10,082,487
Gross profit	6,510,430	7,410,732	7,843,120	7,047,642
Net income (loss)	(327,092)	129,998	826,847	(1,680,673)
Earnings (loss) per share information:				
Basic income (loss) per share	$ (0.01)	$ 0.00	$ 0.02	$ (0.04)
Diluted income (loss) per share	$ (0.01)	$ 0.00	$ 0.02	$ (0.04)

	Quarter Ended			
	December 31, 2004	March 30, 2005	June 30, 2005	September 30, 2005
Net revenues	$ 6,190,155	$ 6,444,609	$ 6,517,158	$ 6,052,936
Gross profit	5,055,571	5,583,676	5,591,353	4,993,639
Net income (loss) before cumulative effect of accounting change	560,703	627,135	(175,887)	(386,653)
Net income (loss)	660,551	627,135	(175,887)	(386,653)
Earnings (loss) per share information:				
Basic before cumulative effect of accounting change	$ 0.01	$ 0.01	$ (0.00)	$ (0.01)
Diluted before cumulative effect of accounting change	$ 0.01	$ 0.01	$ (0.00)	$ (0.01)
Basic income (loss) per share	$ 0.01	$ 0.01	$ (0.00)	$ (0.01)
Diluted income (loss) per share	$ 0.01	$ 0.01	$ (0.00)	$ (0.01)

17. SUBSEQUENT EVENTS

On December 14, 2006, the Company settled an outstanding matter with a consortium of attorneys general. See Note 9.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

ITEM 9A. Controls and Procedures

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Annual Report on Form 10-K, is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls also are designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our chief executive officer and chief financial officer included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Annual Report. Our management, including our chief executive officer and chief financial officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on their review and evaluation as of the end of the period covered by this Form 10-K, and subject to the inherent limitations all as described above, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective as of the end of the period covered by this report. They are not aware of any significant changes in our disclosure controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. During the period covered by this Form 10-K, there have not been any changes in our internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

On November 30, 2006, YP Corp. awarded its Chief Executive Officer, Daniel L. Coury, Sr., a cash bonus in the amount of $150,000 as a reward for his performance in fiscal 2006, pursuant to his Employment Agreement.

On December 15, 2006, YP Corp. awarded its Chief Operating Officer, John Raven, a cash bonus in the amount of $5,000 as a reward for his performance in fiscal 2006.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we will file our definitive Proxy Statement for our 2007 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A of the Exchange Act (the "2007 Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Annual Report. Certain information included in the 2007 Proxy Statement is incorporated herein by reference.

ITEM 10. Directors and Executive Officers

The information required by this Item relating to our executive officers and directors and the disclosure required by Item 405 of Regulation S-K concerning Section 16(a) Beneficial Ownership Reporting Compliance will be set forth under the captions "Election of Directors," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2007 Proxy Statement.

The Company has adopted a Code of Ethics that applies to its officers, directors and employees.

ITEM 11. Executive Compensation

Information regarding director and executive compensation will be set forth under the captions “Election of Directors” and “Executive Officers and Compensation” in our 2007 Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management will be set forth under the captions “Security Ownership of Principal Stockholders and Management” and “Equity Compensation Plan Information,” respectively, in our 2007 Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions of management will be set forth under the caption “Certain Relationships and Related Transactions” in the 2007 Proxy Statement.

ITEM 14. Principal Accountant Fees and Services

Information regarding this item will be set forth under the caption “Principal Accountant Fees and Services” in the 2007 Proxy Statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(1) Financial Statements are listed on the Index to Consolidated Financial Statements on page 40 of this Annual Report.
(2) There are no financial statement schedules required to be filed with this Annual Report.
(3) The following exhibits are filed with or incorporated by reference into this Annual Report.

Exhibit Number	Description	Previously Filed as Exhibit	File Number	Date Previously Filed
3.1	Amended and Restated Articles of Incorporation	Attached hereto		
3.2	Amended and Restated Bylaws	Attached hereto		
10.1	YP Corp. Amended and Restated 2003 Stock Plan	Exhibit 10 to the Registrant's Quarterly Report on Form 10-QSB for the fiscal quarter ended December 31, 2003	000-24217	2/11/04
10.2	Form of 2003 Stock Plan Restricted Stock Agreement	Exhibit 10 to the Registrant's Quarterly Report on Form 10-QSB for the fiscal quarter ending March 31, 2005	000-24217	5/16/05
10.3	Standard Industrial/Commercial Multi-Tenant Lease for Mesa facility, dated June 1, 1998, between the Registrant and Art Grandlich, d/b/a McKellips Corporate Square	Exhibit 10.5 to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1999	000-24217	9/19/00
10.4	Amendment No. 1 to Standard Industrial/Commercial Multi-Tenant Lease for Mesa facility, dated August 17, 1998, between the Registrant and Arthur Grandlich, d/b/a McKellips Corporate Square	Attached hereto		
10.4.1	Amendment No. 2 to Standard Industrial/Commercial Multi-Tenant Lease for Mesa facility, dated January 7, 2003, between the Registrant and Arthur Grandlich, d/b/a McKellips Corporate Square	Exhibit 10.14 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
10.4.2	Amendment No. 3 to Standard Industrial/Commercial Multi-Tenant Lease for Mesa facility, dated March 23, 2006, between the Registrant and J3 Harmon, LLC, successor in interest to The Estate of Arthur Grandlich	Attached hereto		
10.4.3	Amendment No. 4 to Standard Industrial/Commercial Multi-Tenant Lease for Mesa facility, dated April 12, 2006, between the Registrant and J3 Harmon, LLC, successor in interest to The Estate of Arthur Grandlich	Attached hereto		
10.5	Standard Industrial Lease for Nevada facility, dated September 3, 2003, between the Registrant and Tomorrow 33 Convention, LP	Exhibit 10.4 to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2003	000-24217	12/31/03
10.6	Amendment No. 1 to Standard Industrial Lease for Nevada facility, dated October 4, 2006, between the Registrant and Tomorrow 33 Convention, LP	Attached hereto		
10.7	Loan and Security Agreement, dated April 13, 2004, between the Registrant and Merrill Lynch Business Financial	Exhibit 10.1 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB for the fiscal quarter ended June	000-24217	12/29/04

	Services, Inc.	30, 2004		
10.8	Separation Agreement, dated January 19, 2006, between the Registrant and Chris Broquist	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	000-24217	1/25/06
10.9	Employment Agreement, dated September 19, 2006, between the Registrant and Daniel L. Coury	Attached hereto		
10.10	Employment Agreement, dated September 19, 2006, between the Registrant and Gary Perschbacher	Attached hereto		
10.11	Wholesale Fulfillment Agreement, dated March 1, 2005, between Registrant and Fulfillment House and Company	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	000-2417	5/4/06
10.12	Separation Agreement, dated November 3, 2005, between the Registrant and Peter J. Bergmann	Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ending December 31, 2005	000-24217	2/14/06

10.13	Employment Agreement, dated February 6, 2006, between the Registrant and John Raven	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	000-24217	2/21/06
10.13.1	First Amendment to Employment Agreement, dated September 19, 2006, between the Registrant and John Raven	Attached hereto		
10.14	Exclusive Domain Name Licensing Agreement, dated July 8, 2003, between the Registrant and Onramp Access, Inc.	Exhibit 10.1 to the Registrant's Current Report on Form 8-K	000-24217	7/22/03
10.15	Stock Repurchase and Domain Name Transfer Agreement, dated July 21, 2006, between Registrant and Onramp Access, Inc.	Attached hereto		
10.16	Processing Agreement, dated August 26, 2003, between the Registrant and Integrated Payment Systems Inc., d/b/a First Data	Exhibit 10.2 to the Registrant's Current Report on Form 8-K	000-24217	10/24/03
10.17	Master Services Agreement, dated August 1, 2002, between the Registrant and eBillit, Inc.	Exhibit 10.24 to Amendment No. 1 to the Registrant's Quarterly Report on Form 10-QSB/A for the fiscal quarter ended March 31, 2003	000-24217	7/8/03
10.18	Billings and Related Services Agreement, dated September 1, 2001, between the Registrant and ACI Communications, Inc.	Exhibit 10.33 to Amendment No. 2 to the Registrant's Annual Report on Form 10-KSB/A for the fiscal year ended September 30, 2002	000-24217	7/8/03
14	Code of Business Conduct and Ethics, Adopted December 31, 2003	Exhibit 14 to the Registrant's Quarterly Report on Form 10-QSB for the period ended March 31, 2004	000-24217	5/13/04
18	Preferability Letter	Attached hereto		
21	Company Subsidiaries	Exhibit 21 to Registrant's Annual Report on Form 10-K for the period ending September 30, 2005	000-24217	12/19/05
23	Consent of Epstein, Weber and Conover P.L.C	Attached hereto		
31	Certification pursuant to SEC Release No. 33-8238, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached hereto		
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached hereto		

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 28, 2006

/s/ Daniel L. Coury, Sr.
Daniel L. Coury, Sr.
Chief Executive Officer

BOARD OF DIRECTORS

Signature	Title	Date
/s/ Daniel L. Coury, Sr. Daniel L. Coury, Sr.	Chief Executive Officer *(Principal Executive Officer)*	December 28, 2006
/s/ Gary L. Perschbacher Gary L. Perschbacher	Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*	December 28, 2006
/s/ Joseph F. Cunningham, Jr. Joseph F. Cunningham, Jr.	Chairman of the Board	December 28, 2006
/s/ Richard D. Butler. Richard D. Butler	Director	December 28, 2006
/s/ Elisabeth DeMarse Elisabeth DeMarse	Director	December 28, 2006
/s/ Benjamin Milk. Benjamin Milk	Director	December 28, 2006

Exhibit 3.1

RESTATED ARTICLES OF INCORPORATION
OF
YP CORP.

1. Name. The name of the corporation is YP Corp. (the "Corporation").

2. Capital Stock. The Corporation is authorized to issue two classes of stock. One class of stock shall be Common Stock, par value, $0.001. The second class of stock shall be Preferred Stock, par value $0.001. This Corporation is authorized to issue 100,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock.

2.1. Common Stock. Each share of Common Stock issued and outstanding shall be entitled to one vote on all matters. Shares of such Common Stock may be issued for such consideration and for such corporate purposes as the Board of Directors may from time to time determine. Fully paid shares of Common Stock of this Corporation shall not be liable to any further call or assessment. Dividends may be declared and paid on the Common Stock only out of funds legally available therefore. Upon the sale of substantially all of the stock or assets of the Corporation in a non-public transaction or dissolution, liquidation, or winding up of the Corporation, whether voluntary or involuntary, after all liquidation preferences payable to any series of Preferred Stock entitled thereto have been satisfied, the remaining net assets of the Corporation shall be distributed to the holders of Common Stock and any similarly situated stockholders who are not entitled to any liquidation preference (or, if there be an insufficient amount to pay all such stockholders, then ratably among such holders).

2.2. Preferred Stock.

(a) The Preferred Stock not so specifically designated may be designated in the future by action of the Board of Directors of the Corporation and otherwise in accordance with the applicable provisions of the NRS. The designated series of Preferred Stock shall have such powers, designations, preferences and relative, participating or optional or other special rights and qualifications, limitations or restrictions thereof as shall be expressed in the resolution or resolutions providing for the issue of such stock adopted by the Corporation's Board of Directors and may be made dependent upon facts ascertainable outside such resolution or resolutions of the Board of Directors, provided that the manner in which such facts shall operate upon such powers, designations, preferences, rights and qualifications, limitations or restrictions of such class or series of stock is clearly and expressly set forth in the resolution or resolutions providing for the issuance of such stock by the Board of Directors.

(b) The shares of each class or series of the Preferred Stock may vary from the shares of any other class or series thereof in any respect. The Board of Directors may increase the number of shares of the Preferred Stock designated for any existing class or series by a resolution adding to such class or series authorized and unissued shares of the Preferred Stock not designated for any other class or series. The Board of Directors may decrease the number of shares of the Preferred Stock designated for any existing class of series of the Preferred Stock and the shares so subtracted shall become authorized, unissued and undesignated shares of the Preferred Stock.

3. <u>Designation and Amount of Series E Convertible Preferred Stock</u>. In accordance with the foregoing <u>Section 2.2</u>, the Corporation has authorized a series of Preferred Stock, which shall be designated as Series E Convertible Preferred Stock (the "Series E Preferred Convertible Stock"). The number of shares constituting the Series E Preferred Stock shall be 200,000, par value $0.001. The Series E Preferred Stock has the voting powers, preferences, relative, participating, limitations, qualifications, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth below.

3.1. <u>Dividends</u>.

(a) The holders of outstanding shares of Series E Convertible Preferred Stock shall be equally entitled to receive preferential dividends in cash out of any funds of the Corporation legally available at the time for declaration of dividends, at the dividend rates applicable to each such series, as set forth herein, before any dividend or other distribution will be paid or declared and set apart for payment on any shares of any Common Stock, or other class of stock presently authorized or to be authorized (the Common Stock, and such other stock being hereinafter collectively the "Junior Stock") as follows: Series E Convertible Preferred Stock shall receive dividends at the rate of 5% per annum on the liquidation preference per shares, payable each March 31, June 30, September 3 0 and December 31, commencing with the first such date following the issuance of such stock. Dividends shall accumulate from the date of issuance, until the first payment date, at which time all accumulated dividends and dividends from the date of issuance shall be paid if funds are legally available at such time. If funds are not legally available at such time, dividends shall continue to accumulate until they can be paid from legally available funds.

(b) The dividends on the Series E Convertible Preferred Stock at the rate provided above shall be cumulative whether or not earned so that, if at any time full cumulative dividends at the rate aforesaid on all shares of the Series E Convertible Preferred Stock then outstanding from the date from and after which dividends thereon are cumulative to the end of the quarterly dividend period next preceding such time shall not have been paid or declared and set apart for payment, or if the full dividend on all such outstanding Series E Convertible Preferred Stock for the then current dividend period shall not have been paid or declared and set apart for payment (but without interest thereon) before any sum shall be set apart for or applied by the Corporation or a subsidiary of the Corporation to the purchase, redemption or other acquisition of any shares of any other class of stock ranking on a parity with the Series E Convertible Preferred Stock ("Parity Stock") and before any dividend or other distribution shall be paid or declared and set apart for payment on any Junior Stock and before any sum shall be set aside for or applied to the purchase, redemption or other acquisition of Junior Stock.

(c) Dividends on all shares of the Series E Convertible Preferred Stock shall begin to accrue and be cumulative from and after the date of issuance thereof. A dividend period shall be deemed to commence on the day following a quarterly dividend payment date herein specified and to end on the next succeeding quarterly dividend payment date herein specified.

3.2. Liquidation Preference. Upon the sale of substantially all of the stock or assets of the Corporation in a non-public transaction or dissolution, liquidation, or winding up of the Corporation, whether voluntary or involuntary, the holders of the Series E Convertible Preferred Stock shall be entitled to receive out of the assets of the Corporation, before any distribution or payment is made upon the Common Stock or any other series or Preferred Stock, an amount in cash equal to $.30 per share, plus any accrued but unpaid dividends (or, if there be an insufficient amount to pay all Series E Convertible Preferred Stockholders, then ratably among such holders).

3.3. Voting Rights. The holders of shares of Series E Convertible Preferred Stock shall have no voting rights, except as required by law.

3.4. Conversion of Series E Convertible Preferred Stock.

(a) Holder's Right to Convert.

(i) *Conversion.* The record Holder of the Series E Convertible Preferred Stock shall be entitled, after two years from the initial issuance of the Series E Convertible Preferred Stock and from time to time thereafter, at the office of the Corporation or any transfer agent for the Series E Convertible Preferred Stock, to convert all or portions of the Series E Convertible Preferred Stock held by such Holder, on a one for one basis into shares of the Common Stock, together with payment by the holder of $.045 per converted share.

(ii) *Mechanics of Conversion.*

(1) In order to convert Series E Convertible Preferred Stock into full shares of Common Stock, the holder shall (i) transmit a facsimile copy of the fully executed notice of conversion in the form provided by the Corporation ("Notice of Conversion") to the Corporation, which notice shall specify the number of shares of Series E Convertible Preferred Stock to be converted, prior to midnight, New York City time (the "Conversion Notice Deadline"), on the date of conversion specified on the Notice of Conversion, and (ii) promptly surrender the original certificate or certificates therefor, duly endorsed, and deliver the original Notice of Conversion by either overnight courier or 2-day courier, to the office of the Corporation or of any transfer agent for the Series E Convertible Preferred Stock, together with payment by certified or bank check for $.045 per converted share; provided, however, that the Corporation shall not be obligated to issue certificates evidencing such Series E Convertible Preferred Stock unless either the certificates evidencing such Series E. Convertible Preferred Stock are delivered to the Corporation or its transfer agent as provided above or the Holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed. Upon receipt by the Corporation of evidence of the loss, theft, destruction or mutilation of the certificate or certificates ("Stock Certificates") representing shares of Series E Convertible Preferred Stock and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Corporation, and upon surrender and cancellation of the Stock Certificate(s), if mutilated, the Corporation shall execute and deliver new Stock Certificate(s) of like tenor and date. No fractional shares of Common Stock shall be issued upon conversion of the Series E Convertible Preferred Stock. In lieu of any fractional share to which the Holder would otherwise be entitled, the Corporation shall pay cash to such Holder in an amount equal to such fraction multiplied by the value of the Common Stock as determined in good faith by the Corporation's Board of Directors. In the case of a dispute as to the calculation of the Conversion Price, the Corporation's calculation shall be deemed conclusive absent manifest error.

(2) The Corporation shall issue and deliver at the address of the Holder on the books of the Corporation (i) a certificate or certificates for the number of shares of Common Stock equal to the Conversion Number for the shares of Series E Convertible Preferred Stock being so converted and (ii) a certificate representing the balance of the shares of Series E Convertible Preferred Stock not so converted, if any. The date on which conversion occurs (the "Date of Conversion") shall be deemed to be the date set forth in such Notice of Conversion, provided that the copy of the Notice of Conversion is faxed to the Corporation before midnight, New York City time, on the Date of Conversion. The person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(b) Adjustment to Conversion.

(i) If, prior to the conversion of all Series E Convertible Preferred Stock, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event, as a result of which shares of Common Stock of the Corporation shall be changed into the same or a different number of shares of the same or another class or classes of stock or securities of the Corporation or another entity, then the holders of Series E Convertible Preferred Stock shall thereafter have the right to purchase and receive upon conversion of Series E Convertible Preferred Stock, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such shares of stock and/or securities as may be issued or payable with respect to or in exchange for the number of shares of Common Stock immediately theretofore purchasable and receivable upon the conversion of Series E Convertible Preferred Stock held by such holders had such merger, consolidation, exchange of shares, recapitalization or reorganization not taken place, and in any such case, appropriate provisions shall be made with respect to the rights and interests of the Holders of the Series E Convertible Preferred Stock to the end that the provisions hereof (including, without limitation, provisions for adjustment of the number of shares issuable upon conversion of the Series E Convertible Preferred Stock otherwise set forth in this Section (b)) shall thereafter be applicable, as nearly as may be practicable, in relation to any shares of stock or securities thereafter deliverable upon the exercise hereof. The Corporation shall not effect any transaction described herein unless the resulting successor or acquiring entity (if not the Corporation) assumes by written instrument the obligation to deliver to the holders of the Series E Convertible Preferred Stock such shares of stock and/or securities as, in accordance with the foregoing provisions, the holders of the Series E Convertible Preferred Stock may be entitled to purchase.

(ii) If any adjustment under this section would create a fractional share of Common Stock or a right to acquire a fractional share of Common Stock, such fractional shares shall be disregarded, and the number of shares of Common Stock issuable upon conversion shall be the next higher number of shares.

4. Perpetual Existence. The existence of the Corporation will be perpetual.

5. Board of Directors. The affairs of the Corporation shall be governed by a Board of Directors. Subject to any rights to elect directors ("Preferred Stock Directors") granted to the holders of any series of Preferred Stock as set forth in the Certificate of Designation for such series or class of Preferred Stock, the number of persons to serve on the Board of Directors, and the number of directors in each class of directors, shall be fixed as set forth in the Bylaws and such number may be increased or decreased from time to time in such manner as provided by the Bylaws, but the number of directors shall never be less than three. Directors of the Corporation need not be residents of the State of Nevada and need not own shares of the Corporation's stock.

5.1. Terms of Directors. Beginning with the Corporation's annual meeting of stockholders to be held in 2007, the directors shall be elected for terms lasting until the next annual meeting of stockholders following their election, and until their successors are elected and qualified, subject to their earlier death, resignation or removal from the board of directors.

5.2. Removal of Directors. Notwithstanding any other provision of these Amended and Restated Articles of Incorporation or the Bylaws of the Corporation, any director of the corporation may be removed at any time, but only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose. Notwithstanding the foregoing, whenever the holders of any one or more series of preferred stock of the Corporation shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the preceding provisions of this Article 5 shall not apply with respect to the director or directors elected by such holders of preferred stock.

6. Action by Written Consent. No action that is required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders may be effected by written consent of stockholders in lieu of a meeting of stockholders, unless the action to be effected by written consent of stockholders and the taking of such action by such written consent have expressly been approved in advance by the Board of Directors of the Corporation.

7. Cumulative Voting. There shall be no cumulative voting by stockholders of any class or series in the election of directors of the Corporation.

8. Distributions to Stockholders. Except as set forth in these Amended and Restated Articles or the Certificate of Designations for any series or class of Preferred Stock, the Board of Directors of the Corporation may, from time to time, distribute to its stockholders a portion of its assets in cash or property, whether or not the distribution, after giving it effect, would cause the Corporation's total assets to be less than the sum of the total liabilities plus the amount that would be needed, if dissolution were to occur at the time of distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. The Board of Directors may base a determination that a distribution is permitted hereunder on (i) financial statements prepared on the basis of accounting practices that are reasonable under the circumstances; (ii) a fair valuation, including, but not limited to, unrealized appreciation and depreciation; or (iii) any other method that is reasonable in the circumstances.

9. Director and Officer Liability. A director and officer of the Corporation shall not be personally liable to the Corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, except for liability (i) for acts or omissions that involve intentional misconduct, fraud or a knowing violation of law, or (ii) for authorizing any distribution in violation of Section 78.300 of the NRS. If the NRS is amended after approval by the stockholders of this Article to authorize corporate action further eliminating the personal liability of directors or officers, then the liability of a director or officer of the Corporation shall be eliminated or limited to the fullest extent permitted by the NRS, as so amended. Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification. No amendment to the NRS that further limits the acts, omissions or transactions for which elimination or limitation of liability is permitted shall affect the liability of a director or officer for any act, omission or transaction which occurs prior to the effective date of such amendment.

10. Indemnification. The Corporation shall, to the fullest extent permitted by Section 78.75 of the NRS, as the same may be amended, supplemented or replaced from time to time, indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. Pursuant to said Section 78.751 of the NRS, the expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the Corporation.

11. Amendment of Articles of Incorporation. Subject to the provisions hereof, the Corporation reserves the right to repeal, alter, amend or rescind any provision contained in these Restated Articles in the manner now or hereafter prescribed by law, and all rights conferred on stockholders herein are granted subject to this reservation. Notwithstanding the foregoing at any time and from time to time, the provisions set forth in Article 5 (Classified Board) and Article 6 (Action by Written Consent) may be repealed, altered, amended or rescinded in any respect only if the same is approved by the affirmative vote of the holders of not less than 66 2/3% of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as a single class) cast at a meeting of the stockholders called for that purpose (provided that notice of such proposed adoption, repeal, alteration, amendment or rescission is included in the notice of such meeting).

IN WITNESS WHEREOF, the undersigned President and Chief Executive Officer has executed these Restated Articles as of December 11, 2006.

YP CORP., a Nevada corporation

/s/ Daniel L. Coury, Sr.

Daniel L. Coury, Sr.
President and Chief Executive Officer

Exhibit 3.2

AMENDED AND RESTATED BYLAWS OF
YP CORP.
a Nevada Corporation

ARTICLE I
OFFICES

1.1 REGISTERED OFFICE. The registered office of the Corporation in the State of Nevada shall be in a county and city of the State of Nevada designated by the Board of Directors in accordance with applicable law.

1.2 OTHER OFFICES. The Corporation also may have offices at such other places both within and without the State of Nevada as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
STOCKHOLDERS

2.1 STOCKHOLDER MEETINGS.

(a) TIME AND PLACE OF MEETINGS. Meetings of the stockholders shall be held at such times and places, either within or without the State of Nevada, as may from time to time be fixed by the Board of Directors and stated in the notices or waivers of notice of such meetings.

(b) ANNUAL MEETING. Annual meetings of stockholders shall be held at such date and time as the Board of Directors shall determine. At the annual meeting, stockholders shall elect a board of directors by plurality vote and transact such other business as properly may be brought before the annual meeting in accordance with Section 2.7 of this Article II.

(c) SPECIAL MEETINGS. Special meetings of the stockholders of the Corporation may be called for any purpose or purposes at any time only by the Chairman of the Board, the Chief Executive Officer or the President. Business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice of such meeting.

(d) NOTICE OF MEETINGS. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, written notice of each meeting of the stockholders shall be given not less than ten days nor more than sixty days before the date of such meeting to each stockholder entitled to vote thereat, directed to such stockholder's address as it appears upon the stock ledger of the Corporation, such notice to specify the place, date, hour and purpose or purposes of such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the stockholder at his address as it appears on the stock ledger of the Corporation. When a meeting of the stockholders is adjourned to another time and/or place, notice need not be given of such adjourned meeting if the time and place are announced at the meeting of the stockholders at which the adjournment is taken, unless the adjournment is for more than thirty days or unless after the adjournment a new record date is fixed for such adjourned meeting, in which event a notice of such adjourned meeting shall be given to each stockholder of record entitled to vote thereat. Notice of the time, place and purpose of any meeting of the stockholders may be waived in writing either before or after such meeting and will be waived by any stockholder by such stockholder's attendance thereat in person or by proxy. Any stockholder so waiving notice of such a meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

(e) QUORUM. Except as otherwise required by law, the Articles of Incorporation or these Bylaws, the holders of not less than a majority of the shares entitled to vote at any meeting of the stockholders, present in person or by proxy, shall constitute a quorum and the affirmative vote of the majority of such quorum shall be deemed the act of the stockholders. If a quorum shall fail to attend any meeting of the stockholders, the presiding officer of such meeting may adjourn such meeting from time to time to another place, date or time, without notice other than announcement at such meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting of the stockholders as originally noticed. The foregoing notwithstanding, if a notice of any adjourned special meeting of the stockholders is sent to all stockholders entitled to vote thereat, which states that such adjourned special meeting will be held with those present in person or by proxy constituting a quorum, then, except as otherwise required by law, those present at such adjourned special meeting of the stockholders shall constitute a quorum and all matters shall be determined by a majority of the votes cast at such special meeting.

2.2 DETERMINATION OF STOCKHOLDERS ENTITLED TO NOTICE AND TO VOTE. To determine the stockholders entitled to notice of any meeting of the stockholders or to vote thereat, the Board of Directors may fix in advance a record date as provided in Article II, Section 2.8 of these Bylaws, or if no record date is fixed by the Board of Directors, a record date shall be determined as provided by law.

2.3 VOTING.

(a) Except as otherwise required by law, the Articles of Incorporation or these Bylaws, each stockholder present in person or by proxy at a meeting of the stockholders shall be entitled to one vote for each full share of stock registered in the name o f such stockholder at the time fixed by the Board of Directors or by law at the record date of the determination of stockholders entitled to vote at such meeting.

(b) Every stockholder entitled to vote at a meeting of the stockholders may do so either (i) in person or (ii) by one or more agents authorized by a written proxy executed by the person or such stockholder's duly authorized agent, whether b y manual signature, typewriting, telegraphic transmission or otherwise as permitted by law. No proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

(c) Voting may be by voice or by ballot as the presiding officer of the meeting of the stockholders shall determine. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, and shall state the number of shares voted.

(d) Shares of the Corporation held by another corporation may be voted by such corporation's officer, agent or proxy as its bylaws may prescribe, or in absence of such bylaw provision, by any other person designated by resolution of its Board of Directors, and such officer, agent or other person so designated may vote such corporation's shares in this Corporation in person or by proxy appointed by him.

(e) Shares held by an administrator, executor, guardian or conservator may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(f) Shares standing in the name of a receiver, trustee in bankruptcy, or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver or trustee was appointed.

(g) A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(h) If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (1) If only one votes, his act binds; (2) If more than one votes, the act of the majority so voting binds all; and (3) If more than one votes, but the vote is evenly split on any particular matter, each fraction may vote the shares in question proportionally.

(i) Shares standing in the name of a married woman but not also standing in the name of her husband with such a designation of mutual relationship on the certificate, may be voted and all rights incident thereto may be exercised in the same manner as if she were unmarried.

(j) Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the elections of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor counted for quorum purposes.

(k) Nothing in this Section shall be construed as limiting the right of the Corporation to vote its own stock held by it in a fiduciary capacity. In advance of or at any meeting of the stockholders, the Chairman of the Board may appoint one or more persons as inspectors of election (the "Inspectors") to act at such meeting. Such Inspectors shall take charge of the ballots at such meeting. After the balloting on any question, the Inspectors shall count the ballots cast and make a written report to the secretary of such meeting of the results. Subject to the direction of the Chairman of the Board, the duties of such Inspectors may further include without limitation: determining the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum; the authenticity, validity, and effect of proxies; receiving votes, ballots, or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes of consents and determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all stockholders. An Inspector need not be a stockholder of the Corporation and any officer of the Corporation may be an Inspector on any question other than a vote for or against such officer's election to any position with the Corporation or any other questions in which such officer may be directly interested. If there are three or more Inspectors, the determination, report or certificate of a majority of such Inspectors shall be effective as if unanimously made by all Inspectors.

2.4 LIST OF STOCKHOLDERS. The officer who has charge of the stock ledger of the Corporation shall prepare and make available, at least 10 days or such other period of time as may be required by Federal, State or other jurisdictional body whose rules and regulations govern the allotted time before every meeting of stockholders, a complete list of the stockholders entitled to vote thereat, arranged in either alphabetical order or by zip code, showing the address of and the number o f shares registered in the names of each such stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to such meeting, either at a place within the city where such meeting is to be held and which place shall be specified in the notice of such meeting, or, if not so specified, at the place where such meeting is to be held. The list also shall be produced and kept at the time and place of the meeting of the stockholders during the whole time thereof, and may be inspected by any stockholder who is present.

2.5 ACTION BY WRITTEN CONSENT OF STOCKHOLDERS.

(a) Subject to restrictions imposed by the Corporation's Articles of Incorporation or by applicable law, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation's Secretary. Prompt notice of the taking of the Corporate action without a meeting by less than unanimous written consent shall, to the extent required by law, b e given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation.

(b) The Board of Directors may fix a record date for the determination of stockholders entitled to consent to corporate action in writing without a meeting, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date is set, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Secretary of the Corporation.

2.6 CONDUCT OF MEETINGS. The Chairman of the Board shall have full and complete authority to determine the agenda, to set the procedures and order the conduct of meetings, all as deemed appropriate by such person in his sole discretion with due regard to the orderly conduct of business.

2.7 ACTION AT MEETINGS OF STOCKHOLDERS.

(a) No business may be transacted at an annual meeting of stockholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the annual meeting by any stockholder of the Corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.7 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (B) who complies with the notice procedures set forth in this Section 2.7.

(b) In addition to any other applicable requirements, for business properly to be brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Chairman of the Board, if any, the Chief Executive Officer, President, or the Secretary of the Corporation.

(c) To be timely, a stockholder's notice that includes a proposal for the Corporation's annual meeting must be received at the principal executive offices of the Corporation not less than 120 days before the date of the Corporation's proxy statement released to stockholders in connection with the previous year's annual meeting; provided, however, that in the event the Corporation did not hold an annual meeting the previous year or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the Corporation begins to print and mail its proxy materials. For a stockholder's notice that includes a proposal for a meeting of stockholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the Corporation begins to print and mail its proxy materials. Notwithstanding any of the provisions contained herein, any notice that includes a proposal that seeks action by the Corporation's stockholders at any meeting will comply with the guidelines established by Regulation 14A of the Securities Exchange Act of 1934, as amended; to the extent such regulation is then applicable to the Corporation.

(d) To be in proper written form, a stockholder's notice must set forth, as to each matter such stockholder proposes to bring before the annual meeting, (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

(e) No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.7; provided, however, that, once business has been brought properly before the annual meeting in accordance with such procedures, nothing in this Section 2.7 may be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not brought properly before the annual meeting in accordance with the foregoing procedures, the chairman will declare to the meeting that the business was not brought properly before the meeting and such business will not be transacted.

(f) Whenever all parties entitled to vote at any meeting consent either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meetings shall be as valid as if had at a meeting regularly called and noticed, and at such meeting any business may be transacted, which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting; and such consent or approval of stockholders may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

(g) Whenever any notice whatever is required to be given under the provisions of Nevada law, of the Articles of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

2.8 RECORD DATE.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitlement to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days prior to the date of such meeting. If not fixed by the Board of Directors, the record date shall be determined as provided by law.

(b) A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournments of the meeting, unless the Board of Directors fixes a new record date for the adjourned meeting.

(c) Holders of stock on the record date are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of the shares set forth in the stock ledger of the Corporation after the record date, except as otherwise provided by agreement or by law, the Articles of Incorporation or these Bylaws.

2.9 INFORMALITIES AND IRREGULARITIES. All informalities or irregularities in any call or notice of a meeting of the stockholders or in the areas of credentials, proxies, quorums, voting and similar matters, will be deemed waived if no objection is made at the meeting.

ARTICLE III
BOARD OF DIRECTORS

3.1 GENERAL POWERS. Unless otherwise restricted by law, the Articles of Incorporation or these Bylaws as to action which shall be authorized or approved by the stockholders, and subject to the duties of directors as prescribed by these Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other person, provided that the business and affairs of the Corporation will be managed, and all corporate powers shall be exercised, under the ultimate direction and responsibility of the Board of Directors.

3.2 ELECTION OF DIRECTORS.

(a) NUMBER, QUALIFICATION AND TERM OF OFFICE. The exact number of directors of the Corporation shall not be less than three or more than nine. The authorized number of directors may from time to time be increased or decreased by resolution of the directors of the Corporation amending this provision of the Bylaws in compliance with Section 8.5 of Article VIII. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his or her term in office. Beginning with the Corporation's annual meeting of stockholders to be held in 2007, the directors shall be elected for terms lasting until the next annual meeting of stockholders following their election, and until their successors are elected and qualified, subject to their earlier death, resignation or removal from the Board of Directors.

(b) RESIGNATION. Any director may resign from the Board of Directors at any time by giving written notice to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or if the time when such resignation shall become effective shall not be so specified, then such resignation shall take effect immediately upon its receipt by the Secretary; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(c) VACANCIES. Vacancies and new directorships resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director. If no directors are in office, an election may be held as provided by statute. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. A directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next annual meeting or the next election of one or more directors by the stockholders at a special meeting of stockholders called for that purpose. Any director may be removed from office only in accordance with the Articles of Incorporation.

3.3 MEETINGS OF THE BOARD OF DIRECTORS.

(a) REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held without notice at such time and place as shall from time to time be determined by the Board of Directors:

(i) at such times as the Board of Directors shall from time to time by resolution determine; and

(ii) one half-hour prior to any special meeting of the stockholders and immediately following the adjournment of any annual or special meeting of the stockholders.

(b) SPECIAL MEETINGS.

(i) Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer or the President, and will be called by the Secretary at the written request of two or more directors. Notice of the time and place of special meetings of the Board of Directors shall be given by the Secretary or an Assistant Secretary of the Corporation, or by any other officer authorized by the Board of Directors. Such notice shall be given to each director personally or by mail, messenger, telephone, telegraph or electronic mail at such director's business, residence or electronic address. Notice by mail shall be deposited in the United States mail, postage prepaid, not later than the fifth day prior to the date fixed for such special meeting. Notice by telephone, telegraph or electronic mail shall be sent, and notice given personally or by messenger shall be delivered, at least twenty-four hours prior to the time set for such special meeting. Notice of a special meeting of the Board of Directors need not contain a statement of the purpose of such special meeting.

(ii) Whenever all parties entitled to vote at any meeting consent either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meetings shall be as valid as if they had occurred at a meeting regularly called and noticed, and at such meeting any business may be transacted, which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting; and such consent or approval of directors may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

(iii) Whenever any notice whatsoever is required to be given under the provisions of Nevada law, of the Articles of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

(c) ADJOURNED MEETINGS. A majority of directors present at any regular or special meeting of the Board of Directors or any committee thereof, whether or not constituting a quorum, may adjourn any meeting from time to time until a quorum is present or otherwise, however, notice of the time and place of holding any adjourned meeting shall be required as provided in Section 3.3(b) of these Bylaws.

(d) PLACE OF MEETINGS. Meetings of the Board of Directors, both regular and special, may be held either within or without the State of Nevada.

(e) PARTICIPATION BY TELEPHONE. Members of the Board of Directors or any committee may participate in any meeting of the Board of Directors or committee through the use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.

(f) QUORUM. At all meetings of the Board of Directors or any committee thereof, a majority of the total number of directors of the entire then authorized Board of Directors or such committee shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any such meeting at which there is a quorum shall be the act of the Board of Directors or any committee, except as may be otherwise specifically prohibited by law, the Articles of Incorporation or these Bylaws. A meeting of the Board of Directors or any committee at which a quorum initially is present may continue to transact business notwithstanding the withdrawal of directors so long as any action is approved by at least a majority of the required quorum for such meeting. Any action of a majority, although not at a regularly called meeting, and the record thereof, if assented to in writing by all of the other member of the Board of Directors, shall be as valid and effective in all respects as if passed by the Board of Directors in a regular meeting.

(g) WAIVER OF NOTICE. The transactions of any meeting of the Board of Directors or any committee, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to hold such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

3.4 ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Board of Directors at any meeting or at any meeting of a committee may be taken without a meeting if all members of the Board of Directors or such committee consent in writing and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or such committee.

3.5 COMPENSATION OF DIRECTOR. Unless otherwise restricted by law, the Articles of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as a director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees of the Board of Directors may be allowed like compensation for attending committee meetings.

3.6 COMMITTEES OF THE BOARD.

(a) EXECUTIVE COMMITTEE. The Board of Directors may, by resolution adopted by a majority of the whole Board, name two or more of its members and General Counsel, or such other legal advisor as it deems appropriate, as an Executive Committee. Such Executive Committee will have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation while the Board is not in session, subject to such limitations as may be included in the Board's resolution; provided, however, that such Executive Committee shall not have the authority of the Board of Directors in reference to the following matters: (1) the submission to stockholders of any action that requires the authorization or approval under applicable law; (2) the filling of vacancies on the Board of Directors or in any committee of the Board of Directors; (3) the amendment or repeal of these Bylaws, or the adoption of new bylaws; and (4) the fixing of compensation of Directors for serving on the Board or on any Committee of the Board of Directors. A majority of those named to the Executive Committee will constitute a quorum and the Committee may at any time act by the written consent of a quorum thereof, although not formally convened.

(b) OTHER COMMITTEES. The Board of Directors may from time to time, by resolution adopted by a majority of the whole Board, appoint other standing or temporary Committees consisting of at least one current member of the Board of Directors, and such other individuals as the Board of Directors may determine. These Committees will be vested with such powers as the Board may include in its resolution; provided, however, that such Committees shall be restricted in their authority that all actions taken are subject to review and ratification by the Executive Committee and the Board of Directors. A majority of those named to any such Committees will constitute a quorum and the Committee may at any time act by the written consent of a quorum thereof, although not formally convened.

(c) MINUTES OF MEETINGS. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

3.7 INTERESTED DIRECTORS. In addition to the statutory and corporate common law of Nevada, no contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof, which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose if (i) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of the duly appointed Executive Committee, which authorizes the contract or transaction.

ARTICLE IV
OFFICERS

4.1 OFFICERS.

(a) NUMBER. The officers of the Corporation shall be chosen by the Board of Directors and will include a Chairman of the Board of Directors (who must be a director as chosen by the Board of Directors), a President, Secretary and a Treasurer and may include Chief Officers and any number of Vice-Presidents. The Board of Directors also may appoint one or more Assistant Secretaries or Assistant Treasurers and such other officers and agents with such powers and duties as it shall deem necessary. Any Vice President may be given such specific designation as may be determined from time to time by the Board of Directors. Any number of offices may be held by the same person, unless otherwise restricted by law, the Articles of Incorporation or these Bylaws. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

(b) ELECTION AND TERM OF OFFICE. The officers shall be elected annually by the Board of Directors at its regular meeting following the annual meeting of the stockholders and each officer shall hold office until the next annual election of officers and until such officer's successor is elected and qualified, or until such officer's death, resignation or removal. Any officer may be removed at any time, with or without cause, by a vote of the majority of the whole Board of Directors or by an officer upon whom such power of removal may be conferred by the Board of Directors. Any vacancy occurring in any office may be filled by the Board of Directors.

(c) SALARIES. The salaries of all officers of the Corporation shall be fixed by the Board of Directors or a committee thereof from time to time.

4.2 CHAIRMAN OF THE BOARD OF DIRECTORS. The Board of Directors will elect a Chairman to serve as a Non-Executive Officer of the Corporation. The Chairman will preside at all meetings of the Board of Directors and be vested with such other powers and duties as the Board may from time to time delegate to him.

4.3 CHIEF OFFICERS. The Board of Directors may elect a Chief Executive Officer, a Chief Financial Officer and a Chief Operating Officer. The Chief Executive Officer shall be the presiding officer over all business affairs of the Corporation, subject only to the direction of the Board of Directors. The Chief Financial Officer of the Corporation shall be the presiding officer over the financial affairs of the Corporation, subject only to the direction of the Board of Directors and the Chief Executive Officer. The Chief Operating Officer of the Corporation shall be the presiding officer over the operational affairs of the Corporation, subject only to the direction of the Board of Directors and the Chief Executive Officer. Except as may otherwise be specifically provided in a resolution of the Board of Directors, the Chief Officers will be proper officers to sign on behalf of the Corporation any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the Corporation.

4.4 PRESIDENT. The President, absent the election of a Chief Executive Officer, will supervise the business and affairs of the Corporation and the performance by all of its other officers, excluding Chief Officers, of their respective duties, subject to the control of the Board of Directors. Absent the election of a Chief Executive Officer by the Board of Directors, the President will be the Chief Executive Officer of the Corporation. Except as may otherwise be specifically provided in a resolution of the Board of Directors, the President will be a proper officer to sign on behalf of the Corporation any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the Corporation. The President may represent the Corporation at any meeting of the stockholders of any other Corporation in which this Corporation then holds shares, and may vote this Corporation's shares in such other corporation in person or by proxy appointed by him, provided that the Board of Directors may from time to time confer the foregoing authority upon any other person or persons. The President may designate any Vice President to perform any acts, on behalf of the Corporation, in his place.

4.5 VICE PRESIDENTS. One or more Vice Presidents may be elected by the Board of Directors each of whom (in the order designated by the Board) will be vested with all of the powers and charged with all of the duties (including those herein before specifically set forth) of the President in the event of his absence or disability. Each Vice President will perform such other duties as may from time to time be delegated or assigned to him/her by the Board of Directors, Chief Executive Officer, Chief Operating Officer or the President, in that order.

4.6 SECRETARY AND ASSISTANT SECRETARIES. The Secretary will keep the minutes of meetings of the stockholders, Board of Directors and any Committee, and all unanimous written consents of the stockholders, Board of Directors and any Committee of the Corporation, see that all notices are duly given in accordance with the provisions of these Bylaws or as required by applicable law, be custodian of the corporate seal and corporate records, and, in general, perform all duties incident to his office. Except as may otherwise be specifically provided in a resolution of the Board of Directors, the Secretary and each Assistant Secretary will be a proper officer to take charge of the Corporation's stock ledger, and to compile the voting record, and to impress the Corporation's Seal on any instrument signed by a duly authorized or empowered officer, and to attest to the same.

4.7 TREASURER AND ASSISTANT TREASURERS. The Treasurer, absent the election of a Chief Financial Officer, shall serve as the Chief Financial Officer and will maintain the financial records of the Corporation and supervise all Corporate reporting with any and all government agencies. The Treasurer will keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, and will cause all money and other valuable effects to be deposited in the name and to the credit of the Corporation in such depositories, subject to withdrawal in such manner as may be designated by the Board of Directors and the Chief Executive Officer. The Treasurer will render to the Chief Executive Officer, President and to the Directors (at the regular meetings of the Board or whenever they may require), an account of all his transactions, as Treasurer, and of the financial condition of the Corporation.

ARTICLE V
INDEMNIFICATION AND INSURANCE

5.1 RIGHT TO INDEMNIFICATION. Subject to the terms and conditions of this Article V, each officer or director of the Corporation who was or is made a party or witness or is threatened to be made a party or witness to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action or inaction in an official capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the general corporate law of Nevada as set forth in Section 78 et. seq. of the Nevada Revised Statutes ("GCL"), as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Article V hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that if the GCL requires an advancement of expenses incurred by an indemnitee, such advancement of expenses shall be made only upon delivery to the Corporation of an undertaking in the form then required by the GCL (if any), by or on behalf of such indemnitee, with respect to the repayment of amounts so advanced (hereinafter an "undertaking").

5.2 RIGHT TO INDEMNITEE TO BRING SUIT. If a claim under Section 5.1 of this Article V is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expenses of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the GCL. Neither the failure of the Corporation (including the Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the GCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to he terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified or to such advancement of expenses under this Section or otherwise shall be on the Corporation.

5.3 SPECIFIC LIMITATIONS ON INDEMNIFICATION. Notwithstanding anything in this Article to the contrary, the Corporation shall not be obligated to make any payment to any indemnitee with respect to any proceeding (i) to the extent that payment is actually made to the indemnitee under any insurance policy, or is made to indemnitee by the Corporation or an affiliate thereof otherwise than pursuant to this Article, (ii) for any expense, liability or loss in connection with a proceeding settled without the Corporation's written consent, which consent, however, shall not be unreasonably withheld, (iii) for an accounting of profits made from the purchase or sale by the indemnitee of securities of the Corporation within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any state statutory or common law, (iv) where the indemnitee acted in bad faith or with gross negligence, or (v) where prohibited by applicable law.

5.4 CONTRACT. The provisions of this Article shall be deemed to be a contract between the Corporation and each director and officer who serves in such capacity at any time while such Section is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter based in whole or in part upon any such state of facts.

5.5 PARTIAL INDEMNITY. If the indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses, liabilities or losses incurred in connection with a proceeding but not, however, for the entire amount thereof, the Corporation shall nevertheless indemnify the indemnitee for the portion thereof to which the indemnitee is entitled. Moreover, notwithstanding any other provision of this Article, to the extent that the indemnitee has been successful on the merits or otherwise in defense of any or all claims relating in whole or in part to a proceeding or in defense of any issue or matter therein, including dismissal without prejudice, the indemnitee shall be indemnified against all loss, expense and liability incurred in connection with the portion of the proceeding with respect to which indemnitee was successful on the merits or otherwise.

5.6 NON-EXCLUSIVITY OF RIGHTS. The rights to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Articles of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

5.7 INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the GCL.

5.8 INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation, or to such lesser extent as may be determined by the Board of Directors.

5.9 NOTICE BY INDEMNITEE AND DEFENSE OF CLAIM. The indemnitee shall promptly notify the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter, whether civil, criminal, administrative or investigative, but the omission so to notify the Corporation will not relieve it from any liability which it may have to the indemnitee if such omission does not prejudice the Corporation's rights. If such omission does prejudice the Corporation's rights, the Corporation will be relieved from liability only to the extent of such prejudice; nor will such omission relieve the Corporation from any liability which it may have to the indemnitee otherwise than under this Article V. With respect to any proceedings as to which the indemnitee notifies the Corporation of the commencement thereof:

(a) The Corporation will be entitled to participate therein at its own expense; and

(b) The Corporation will be entitled to assume the defense thereof, with counsel reasonably satisfactory to the indemnitee; provided, however, that the Corporation shall not be entitled to assume the defense of any proceeding (and this Section 5.9 shall be inapplicable to such proceeding) if the indemnitee shall have reasonably concluded that there may be a conflict of interest between the Corporation and the indemnitee with respect to such proceeding. After notice from the Corporation to the indemnitee of its election to assume the defense thereof, the Corporation will not be liable to the indemnitee under this Article V for any expenses subsequently incurred by the indemnitee in connection with the defense thereof, other than reasonable costs of investigation or as otherwise provided below. The indemnitee shall have the right to employ his own counsel in such proceeding but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the indemnitee unless:

(i) The employment of counsel by the indemnitee has been authorized by the Corporation in writing; or

(ii) The Corporation shall not have employed counsel to assume the defense in such proceeding or shall not have assumed such defense and be acting in connection therewith with reasonable diligence; in each of which cases the fees and expenses of such counsel shall be at the expense of the Corporation.

(c) The Corporation shall not settle any proceeding in any manner which would impose any penalty or limitation on the indemnitee without the indemnitee's written consent; provided, however, that the indemnitee will not unreasonably withhold his consent to any proposed settlement.

ARTICLE VI
CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.1 CERTIFICATES FOR SHARES. Unless otherwise provided by a resolution of the Board of Directors, the shares of the Corporation shall be represented by a certificate. The certificates of stock of the Corporation shall be numbered and shall be entered in the stock ledger of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by or in the name of the Corporation by (a) the Chief Executive Officer, or the President and (b) the Secretary or any Assistant Secretary. Any or all of the signatures on a certificate may be by facsimile. In case any officer of the Corporation, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon such certificate, shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issuance.

6.2 CLASSES OF STOCK.

(a) If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations, or restrictions of such preferences or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, that, except as otherwise provided in Section 78.195(5) of the Nevada Revised Statutes in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

(b) Within a reasonable time after the issuance or transfer of uncertified stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to applicable law (including Sections 78.195, 78.205, 78.235 and 78.242 of the Nevada Revised Statutes) or a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

6.3 TRANSFER. Subject to applicable federal and state securities laws, upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its stock ledger. Upon receipt of proper transfer instructions from the registered owner of uncertified shares, such uncertified shares shall be canceled, issuance of new equivalent uncertified shares or certified shares shall be made to the person entitled thereto and the transaction shall be recorded upon the stock ledger of the Corporation.

6.4 RECORD OWNER. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Nevada.

6.5 LOST CERTIFICATES. The Board of Directors may direct a new certificate or certificates or uncertified shares to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates or uncertified shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost stolen or destroyed.

6.6 DIVIDENDS. In the event a dividend is declared, the stock transfer books will not be closed but a record date will be fixed by the Board of Directors, and only stockholders of record on that date shall be entitled to the dividend.

ARTICLE VII
EMERGENCY PROVISIONS

7.1 GENERAL. THE PROVISIONS OF THIS ARTICLE VII WILL BE OPERATIVE ONLY DURING A NATIONAL EMERGENCY DECLARED BY THE PRESIDENT OF THE UNITED STATES OR THE PERSON PERFORMING THE PRESIDENT'S FUNCTIONS, OR IN THE EVENT OF A NUCLEAR, ATOMIC, OR OTHER ATTACK ON THE UNITED STATES OR A DISASTER MAKING IT IMPOSSIBLE OR IMPRACTICABLE FOR THE CORPORATION TO CONDUCT ITS BUSINESS WITHOUT RECOURSE TO THE PROVISIONS OF THIS ARTICLE VII. Said provisions in such event shall override all other Bylaws of this Corporation in conflict with any provisions of this Article VII, and shall remain operative so long as it remains impossible or impracticable to continue the business of the Corporation otherwise, but thereafter shall be inoperative; provided that all actions taken in good faith pursuant to such provisions shall thereafter remain in full force and effect unless and until revoked by action taken in accordance with the provisions of the Bylaws (other than those contained in this Article VII).

7.2 UNAVAILABLE DIRECTORS. All Directors of the Corporation who are not available to perform their duties as Directors by reason of physical or mental incapacity or for any other reason or who are unwilling to perform their duties or whose whereabouts are unknown shall automatically cease to be Directors, with like effect as if such persons had resigned as Directors, so long as such unavailability continues.

7.3 AUTHORIZED NUMBER OF DIRECTORS. The authorized number of Directors shall be the number of Directors remaining after eliminating those who have ceased to be Directors pursuant to Section 7.2 hereof, or the minimum number required by law, whichever number is greater, until such time as the vacancy created thereby can be filled, or the applicable provisions of these Bylaws can be amended to reflect such change.

7.4 QUORUM. The number of Directors necessary to constitute a quorum shall be one-third of the authorized number of Directors as specified in the foregoing Section 7.3, or such other minimum number as, pursuant to the law or lawful decree then in force, it is possible for the Bylaws of a Corporation to specify.

7.5 CREATION OF EMERGENCY COMMITTEE. In the event the number of Directors remaining after eliminating those who have ceased to be Directors pursuant to Section 7.2 of this Article VII is less than the minimum number of authorized Directors required by law, then until the appointment of additional Directors to make up such required minimum, all the powers and authorities, which the Board could by law delegate, including all powers and authorities which the Board could delegate to a committee, shall be automatically vested in an emergency committee (the "Emergency Committee"), and the Emergency Committee shall thereafter manage the affairs of the Corporation pursuant to such powers and authorities and shall have all such other powers and authorities as may by law or lawful decree be conferred on any person or body of persons during a period of emergency.

7.6 CONSTITUTION OF EMERGENCY COMMITTEE. The Emergency Committee shall consist of all the Directors remaining after eliminating those who have ceased to be Directors pursuant to Section 7.2 of this Article VII, provided that such remaining Directors are not less than three in number (unless such lesser number would otherwise be permissible under applicable law if no emergency existed). In the event such remaining Directors are less than three in number (and such number is not otherwise permitted under applicable law), then the Emergency Committee shall consist of three persons, who shall be the remaining Director or Directors plus either one or two officers or employees of the Corporation, as the remaining Director or Directors may in writing designate. If there is no remaining Director, the Emergency Committee shall consist of the three most senior officers of the Corporation who are available to serve, and if and to the extent such officers are not available, the most senior employees of the Corporation. Seniority shall be determined in accordance with any designation of seniority in the minutes of the proceedings of the Board, and in the absence of such designation, shall be determined by the highest rate of remuneration. In the event that there are no remaining Directors and no officers or employees of the Corporation available, the Emergency Committee shall consist of three persons designated in writing by the Shareholder owning the largest number of shares of record as of the date of the last record date.

7.7 POWERS OF EMERGENCY COMMITTEE. The Emergency Committee, once appointed, shall govern its own procedures and shall have power to increase the number of members thereof beyond the original number, and in the event of a vacancy or vacancies therein, arising at any time, the remaining member or members of the Emergency Committee shall have the power to fill such vacancy or vacancies. In the event at any time after its appointment, all members of the Emergency Committee shall die or resign or become unavailable to act for any reason whatsoever, a new Emergency Committee shall be appointed in accordance with the foregoing provisions of this Article VII.

7.8 DIRECTORS BECOMING AVAILABLE. Any person who has ceased to be a Director pursuant to the provisions of Section 7.2 of this Article VII and who thereafter becomes available to serve as a Director shall automatically become a member of the Emergency Committee.

7.9 ELECTION OF BOARD OF DIRECTORS. The Emergency Committee shall, as soon after its appointment as is practicable, take all requisite action to secure the election of a board of directors, and upon such election all the powers and authorities of the Emergency Committee shall be vested therein, and the Emergency Committee shall thereafter cease.

7.10 TERMINATION OF EMERGENCY COMMITTEE. In the event, after the appointment of an Emergency Committee, a sufficient number of persons who ceased to be Directors pursuant to Section 7.2 of this Article VII become available to serve as Directors, so that if they had not ceased to be Directors as aforesaid, there would be enough Directors to constitute the minimum number of Directors required by law, then all such persons shall automatically be deemed to be reappointed as Directors, the powers and authorities of the Emergency Committee shall again be vested in the Board, and the Emergency Committee shall thereafter cease.

ARTICLE VIII
MISCELLANEOUS

8.1 EXECUTION OF INSTRUMENTS. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other persons, to execute any corporate instrument or document or to sign the corporate name without limitation, except where otherwise provided by law, the Articles of Incorporation or these Bylaws. Such designation may be general or confined to specific instances.

8.2 VOTING OF SECURITIES OWNED BY THE CORPORATION. All stock and other securities of other corporations held by the Corporation shall be voted, and all proxies with respect thereto shall be executed, by the person so authorized by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board.

8.3 CORPORATE SEAL. A corporate seal shall not be requisite to the validity of any instrument executed by or on behalf of the Corporation.

8.4 CONSTRUCTION AND DEFINITIONS. Unless the context requires otherwise the general provisions, rules of construction and definitions in the Nevada Revised Statutes and the Articles of Incorporation shall govern the construction of these Bylaws.

8.5 AMENDMENTS. These Bylaws may be altered, amended or repealed by a majority vote of the Board of Directors or the stockholders.

8.6 DESCRIPTIVE HEADINGS. The descriptive headings of the paragraphs of these Bylaws are inserted for convenience only and shall not control or affect the meaning or construction of any provision hereof.

8.7 REFERENCE THERETO. Any reference herein made to the Corporation's Articles will be deemed to refer to its Articles of Incorporation and all Amendments thereto as at any given time on file with the Nevada Secretary of State, together with any and all certificates theretofore filed by the Corporation with the Nevada Secretary of State pursuant to applicable law.

8.8 SENIORITY THEREOF. The Articles will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the Articles, and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

8.9 NUMBER AND GENDER. Whenever used herein, the singular number shall include the plural and the singular, and the use of any gender shall be applicable to all genders.

CERTIFICATE OF ADOPTION

The undersigned Secretary of the Corporation hereby certifies that the foregoing Amended and Restated Bylaws of YP CORP., a Nevada corporation (the "Corporation"), constitute the Bylaws of said Corporation, duly adopted and approved, pursuant to a resolution of the Board of Directors.

December 11, 2006

/s/ John Raven

Corporate Secretary

Exhibit 10.4

AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE (this "**Amendment**") amends and modifies that certain lease and Addendum thereto by and between Mr. Art Grandlich d/b/a McKellips Corporate Square (**Lessor**) and Renaissance International Group, Ltd. (RIGL), a Nevada corporation (**Lessee**) dated June 1, 1998, as follows:

"Lessee shall be responsible for constructing all tenant improvements to the Suite in a professional and workmanlike manner pursuant to all applicable municipal and state building codes, at Lessee's sole cost and expense. No later than 90-days from the date Lessee's plans are approved by the city of Mesa. Lessee shall construct a minimum of 6,000 square feet of air conditioned office area and any demising walls that may be required to subdivide the space. The blueprints of the proposed tenant improvements shall be submitted to the Lessor for review and approval prior to commencement of construction. In the event that the Lessee does not complete the 6,000 square feet of office space on or before such date of the rent shall escalate to $9,234.60 per month effective upon the date the Lease was signed.

"**Lessor**"
Mr. Art Grandlich
d/b/a McKellips Corporate Square

By: /s/ Art Grandlich
Date: August 17, 1998

"**Lessee**"

Renaissance International Group, Ltd., a Nevada corporation, d/b/a RIGL Corporation

By: /s/ Kevin L. Jones
Its: President

THIRD AMENDMENT TO LEASE

This Third Amendment to Lease, made and entered into this **23rd** day of **March, 2006** by and between **J 3 Harmon, L.L.C.,** as successor in interest to **The Estate of Arthur G. Grandlich. d.b.a. McKellips Corporate Square, Betsy A. Grandlich Co-Personal Representative, Bank One Trust Company, Co-Personal Representative,** hereinafter referred to as **"Lessor"** and **YP.Net. Inc.. a Nevada Corporation (formerly known as Renaissance International Group, a Nevada Corporation),** hereinafter referred to as **"Lessee".**

WITNESSETH:

WHEREAS, Lessor leased certain premises in the McKellips Corporate Square building 4840 East Jasmine Street in the City of Mesa, County of Maricopa, State of Arizona, to Lessee, pursuant to that certain lease dated the 1st day of June. 1998; said Lease and amendment(s) thereto dated August 17, 1998 and January 7, 2003, hereinafter collectively referred to as the "Lease", the premises being more particularly described therein; and

NOW THEREFORE, in consideration of these present and the agreement of each other, Lessor and Lessee agree that the said Lease shall be and is hereby amended as of the 1st day of July 2006, unless stated otherwise herein, as follows:

1. The term of the Lease shall be extended sixty (60) months with an expiration date of the 30th day of June, 2011.

2. Base Rent for the Leased Premises shall be payable in monthly installments of:

   07/01/06 through 06/30/07 @ $9,727.76 + CAM + Rental Tax / Month
   07/01/07 through 06/30/08 @ $9,979.34 + CAM + Rental Tax / Month
   07/01/08 through 06/30/09 @ $10,230.92 + CAM + Rental Tax / Month
   07/01/09 through 06/30/10 @ $10,482,50 + CAM + Rental Tax / Month
   07/01/10 through 06/30/11 @ $10,734.08 + CAM + Rental Tax / Month

3. Upon execution of this Third Amendment to Lease, Lessee shall no longer have a Right of First Refusal to Lease any other Lease space within 4840 East Jasmine (Building B).

4. Lease Paragraph 15 and the Option to Extend paragraph in the Lease Addendum shall become null and void upon execution of this Third Amendment to Lease.

5. All other terms and conditions of the Lease shall remain the same and are confirmed and approved.

6. The terms and conditions of this Third Amendment to Lease shall be null and void if not fully executed by both Lessor and Lessee by March 31, 2006.

7. This Third Amendment to Lease may be executed via facsimile and in counterparts and each executed counterpart shall for all purposes be deemed an original and shall have the same force and effect as an original, but all of which together shall constitute in the aggregate, but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this instrument by proper persons thereunto duly authorized.

Lessor:
J3 Harmon, L.L.C. as Successor in Interest to
The Estate of Arthur G. Grandlich d.b.a.
McKellips Corporate Square
c/o 2150 E. Highland, Suite 207
Phoenix, Arizona 85016

By: /s/ Illegible
Date: 4/3/06

Lessee:
YP.Net, a Nevada Corporation
4840 E. Jasmine Street
Suite 105
Phoenix, Arizona 85205

By: /s/ Daniel Coury, Sr.
Date: 3/27/06

Exhibit 10.4.3

FOURTH AMENDMENT TO LEASE

This Fourth Amendment to Lease, made and entered into this **12th** day of **April, 2006** by and between **J 3 Harmon, L.L.C.,** as successor in interest to **The Estate of Arthur G. Grandlich, d.b.a. McKellips Corporate Square, Betsy A. Grandlich Co-Personal Representative, Bank One Trust Company, Co-Personal Representative,** hereinafter referred to as **"Lessor"** and **YP.Net, Inc., a Nevada Corporation (formerly known as Renaissance International Group, a Nevada Corporation),** hereinafter referred to as **"Lessee".**

WITNESSETH:

WHEREAS, Lessor leased certain premises in the McKellips Corporate Square building 4840 East Jasmine Street in the City of Mesa, County of Maricopa, State of Arizona, to Lessee, pursuant to that certain lease dated the 1st day of June, 1998; said Lease and amendment(s) thereto dated August 17, 1998, January 7, 2003 and March 23, 2006, hereinafter collectively referred to as the "Lease", the premises being more particularly described therein; and

NOW THEREFORE, in consideration of these present and the agreement of each other, Lessor and Lessee agree that the said Third Amendment to Lease shall be and is hereby amended, unless stated otherwise herein, as follows:

1. Paragraph 6 of the Third Amendment to Lease shall be amended to read:

   The terms and conditions of this Third Amendment to Lease shall be null and void if not fully executed by Lessee on or before March 31, 2006.

2. All other terms and conditions of the Lease shall remain the same and are confirmed and approved.

3. This Fourth Amendment to Lease may be executed via facsimile and in counterparts and each executed counterpart shall for all purposes be deemed an original and shall have the same force and effect as an original, but all of which together shall constitute in the aggregate, but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this instrument by proper persons thereunto duly authorized.

Lessor:	Lessee:
J3 Harmon, L.L.C. as Successor in Interest to The Estate of Arthur G. Grandlich d.b.a. McKellips Corporate Square c/o 2150 E. Highland, Suite 207 Phoenix, Arizona 85016	YP.Net, a Nevada Corporation 4840 E. Jasmine Street Suite 105 Phoenix, Arizona 85205
By: /s/ Illegible	By: /s/ Daniel Coury, Sr.
Date: 5/15/06	Date: 5/9/06

Exhibit 10.6

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE ("First Amendment") is made this 4th day of October, 2006 by and between **TOMORROW 33 CONVENTION, LIMITED PARTNERSHIP, a Delaware Limited Partnership,** as Landlord **("Landlord")** and **Telco Billing, Inc., A Nevada Corporation,** as Tenant **("Tenant"),** and **YP Corp, formerly YP.NET, Inc. A Nevada Corporation,** as Guarantor **("Guarantor").**

BACKGROUND FACTS

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement **("Lease")**, dated as of September 1st, 2003 (collectively, the "Lease") whereby Tenant is now leasing approximately 3,591 rentable square **("RSF")** feet located on the tenth floor, known as Suite 1001/1002 **("Premises")** expiring September 30, 2006 within an office building (the **"Building")** 101 Convention Center Drive, Las Vegas, Nevada 89169.

WHEREAS, Landlord and Tenant have agreed, in each case subject to the terms and conditions set forth in this First Amendment, to extend the Term of the Lease Agreement and for Tenant to renew Suite 1001/1002 in the Building containing approximately 3,591 rentable square feet ("Premises") for a one-year term effective October 1, 2006.

WHEREAS, Guarantor **YP.NET, Inc.** has changed its name to **YP Corp,** and due to this name change a new Guaranty is attached dated October 4th, 2006 for signature by an officer of **YP Corp** as a part of this First Amendment.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by both parties, Landlord and Tenant agree as follows (with capitalized terms not defined in this First Amendment having the same meaning as set forth for such terms in the Lease Agreement):

1. Recitals: The above Background Facts are true and correct and are hereby incorporated by this reference as if set forth in their entirety.

2. Acknowledgments and Representations: Landlord and Tenant hereby acknowledge, agree and confirm that (i) the Premises currently consist of 3,591 rentable square feet commonly referred to as Suite 1001/1002 (ii) Landlord and Tenant have each complied with all of the terms and conditions of the Lease Agreement unless provided for otherwise herein and; (iii) Landlord is currently in possession of a Security Deposit of $17,093.16 which shall be reduced to $8,000.00 and Landlord shall deliver a check for the difference of $9,093.16 to Tenant upon Landlord's receipt of a completely executed First Amendment to Lease.

3. Online Advertising Agreement: Landlord and Tenant agree that the "Online Advertising Agreement" dated September 3, 2003 between Tenant and Landlord as part of the Lease which expired September 30, 2006 is null and void of no further effect and is not a part of this First Amendment.

4. Term: The Term of this First Amendment shall commence on October 1st, 2006 ("Commencement Date"), and shall expire at the close of business on September 30th, 2007.

5. Rent Commencement Date: The Rent Commencement Date shall be the same as the Commencement Date, as defined in Section 3 above.

6. Base Rent: The rental rate plus applicable sales tax for the renewal Term due on the first of each month, is as follows:

Base Rent	Lease Months	Monthly Base Rent	Annual Base Rent
$26.73	10/1/06 -09/30/07	$8,000.00	$96,000.00

7. Renewal Option: Provided Tenant is not in default of any provision of the Lease beyond any applicable cure period at the time of exercise and upon commencement of the Renewal Term, Tenant shall have one option to extend the Term of this Lease (the "Renewal Option") for an additional one-year term (the "Renewal Term") with respect to no less than the entire Premises. Tenant may exercise its Renewal Option by providing Landlord with written notice not less than 270 days prior to the expiration of the Term. It is expressly acknowledged that time is of the essence with regard to Tenant's notice of its intent to exercise its Renewal Option, and if notice is not delivered to Landlord on a timely basis in accordance with the Lease, Tenant's Renewal Option shall be null and void. This Renewal Option shall also terminate and become null and void upon the earlier to occur of the following: (i) any termination of this Lease, (ii) any vacation or abandonment of the Premises by Tenant, in whole or in part, (iii) any assignment of the Lease (to a nonaffiliated entity), or (iv) any subletting, in whole or in part, of the Premises. Should Tenant effectively exercise its Renewal Option, all covenants, agreements, terms, provisions and conditions of the Lease shall apply to the Renewal Term except that the Fixed Rent for the Premises for such Renewal Term shall be the then prevailing Market Rate, as hereinafter defined. "Market Rate" shall be defined as the rate being charged for first class office space reasonably comparable to the Premises in Las Vegas, Nevada as of the date of Tenant's notice as reasonably determined by Landlord.

8. Operating Expenses: The operating expense base year is 2004. Tenant shall continue to be fully responsible for all payments identified in the Lease.

9. Tenant Improvements: Tenant hereby accepts the Premises in their "as- is" condition, and Landlord shall have no obligation to perform any improvements therein (including, without limitation, demolition of any improvements existing therein or construction of any Tenant finish-or other improvements therein), and shall not be obligated to reimburse Tenant or provide an allowance for any costs related to the demolition or construction of improvements therein.

10. Parking: Tenant may use up to ten (10) parking spaces located within the parking garage at a rate of $20.00 per space per month which will be billed to Tenant on the first of each month.

11. Broker's Commission: Grubb & Ellis Las Vegas ("Landlord's Agent") has represented the Landlord in this transaction and shall be paid a commission by Landlord in connection with this **First Amendment** pursuant to a separate agreement. Tenant represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with the execution of this **First Amendment** and Tenant hereby agrees to indemnify and hold Landlord harmless from all liabilities arising from any such claim, including the cost of legal fees.

12. Ratification: Tenant represents and warrants to the Landlord as follows: (i) that the execution and delivery of this **First Amendment** has been fully authorized by all necessary corporate or partnership action, as the case my be; (ii) that the person signing this First Amendment on behalf of Tenant and Guarantor has the requisite authority to do so and the authority and power to bind the company or partnership, as the case may be, on whose behalf they have signed; and (iii) that this First Amendment is valid, binding and legally enforceable in accordance with its terms.

13. Conflict: In the event of any conflict between the terms of this **First Amendment** and the terms of the Lease, it is expressly agreed that the terms of this **First Amendment** shall control. Except as modified, amended or supplemented by the provisions of this **First Amendment,** all of the terms, obligations and conditions of the Lease Agreement are hereby ratified and shall remain in full force and effect.

14. Prohibited Persons and Transactions: Tenant represents to Landlord that (i) neither Tenant nor any person or entity that directly owns a 10% or greater equity interest in it nor any of its officers, directors or managing members is a person or entity (each, a "Prohibited Person") with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked persons List) or under Executive Order 13224 (the "Executive Order") signed on September 24, 2001, and entitled "Blocking Property and Prohibiting transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action, (ii) that Tenant's activities do not violate the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 or the regulations or orders promulgated there under (as amended from time to time, the "Money Laundering Act"), and (iii) that throughout the term of this Lease, Tenant shall comply with the Executive Order and with the Money Laundering Act.

15. Tenant's Funds:

(a) Tenant has taken, and shall continue to take at all time following the execution of the Lease, as required by law to ensure that the funds used to make payments under this Lease are derived (i) from transactions that do not violate U.S. law or, to the extent such funds originate outside the United States, do not violate the laws of the jurisdiction in which they originated; and (ii) from permissible sources under U.S. law or to the extent such funds originate outside the United Sates, under the laws of the jurisdiction in which they originated.

(b) Tenant (i) is not under investigation by any governmental authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities, any crimes which in the United States would be predicate crimes to money laundering, or any violation of Anti-Money Laundering Laws; (ii) has not been assessed civil or criminal penalties under any Anti-Money Laundering Laws; (ii) has not been assessed civil or criminal penalties under any Anti-Money Laundering Laws; or (iii) has not had any of its funds seized or forfeited in any action under any Anti-Money Laundering Laws.

(c) "Anti-Money Laundering Laws" means those laws, rules, regulations, orders and sanctions, state and federal, criminal and civil, that (a) limit the use of and/or seek the forfeiture of proceeds from illegal transactions; (b) limit commercial transactions with designated countries or individuals believed to be terrorists, narcotic dealers or otherwise engaged in activities contrary to the interest of the United States; (c) require identification and documentation of the parties with whom a financial institution conducts business; or (d) are designed to disrupt the flow of funds to terrorist organizations. Such laws, regulations and sanctions shall be deemed to include the Executive Order Number 13224 on Terrorism Financing (September 23, 2001), the Patriot Act, the Bank Secrecy Act, Pub.L. No. 91-508, 84 Stet. 1305 (1970), the Trading with the Enemy Act 50 U.S.C. Appx. Section 1 et seq., the International Emergency Economics Powers Act, 50 U.S.C. Section 1701 et seq., and the sanction regulations promulgated pursuant thereto by OFAC, as well as laws relating to prevention and detection of money laundering in 18 U.S.C. Sections 1956 and 1957, as amended.

IN WITNESS WHEREOF, Landlord and Tenant have caused this First Amendment to be executed as of the day and year first above written.

LANDLORD: **TOMORROW 33 CONVENTION, LP, A Delaware Limited Partnership**

By: TFMGP 33 LP, Its General Partner, A Delaware Limited Partnership
Its sole general partner

By: TFMGP 33 Corp., Its general partner
Its general partner

By: Cheryl S. Willoughby
Vice President

Signature: /s/ Cheryl S. Willoughby

Date: 10/10/06

TENANT: **Telco Billing, Inc. A Nevada Corporation**

By: Gary Perschbacher
Title: Chief Financial Officer

Signature: /s/ Gary Perschbacher

Date: 10/4/06

GUARANTY

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration for, and as an inducement to Landlord to make the attached First Amendment to Lease Agreement with Tenant dated October 4th, 2006 by and between **TOMORROW 3 3 CONVENTION, LIMITED PARTNERSHIP, a Delaware Limited Partnership, and Telco Billing, Inc., A Nevada Corporation,** the undersigned does hereby guarantee to Landlord, without condition or limitations except as hereinafter provided, the payment of Rent and Additional Rent to be paid by the Tenant and the full performance and observance of all the terms, covenants and conditions therein provided to be performed, observed or complied with by Tenant, including the Rules and Regulations as therein provided, without requiring any notice of non-payment, non-performance or non-observance, or proof, or notice, or demand, whereby to charge the undersigned therefor, all of which the undersigned hereby expressly waives and expressly agrees that the validity of this guaranty and the obligations of the guarantor hereunder shall in no way be terminated, affected or impaired by reason of the assertion by Landlord against Tenant of any of the rights or remedies reserved to Landlord pursuant to the provisions of the attached Lease. Landlord may grant extensions of time and other indulgences and may modify, amend or waive any of the terms, covenants or conditions of the attached lease, and discharge or release any party or parties thereto, all without notice to the undersigned and without in any way impairing, releasing or affecting the liability or obligation of the undersigned. Each of the undersigned agrees that Landlord may proceed directly against the undersigned without taking any action under the attached Lease and without exhausting Landlord remedies against Tenant; and no discharge of Tenant in bankruptcy or in any other insolvency proceedings shall in any way or to any extent discharge or release the undersigned from any liability or obligation hereunder. The undersigned further covenants and agrees that this guaranty shall remain and continue in full force and effect as to any renewal, modification or extension of the attached Lease, and that no subletting and no assignment of the within Lease, with or without Landlord's consent thereto, shall release or discharge the undersigned. As a further inducement to Landlord to make the within Lease and in consideration therefor, the undersigned agrees that in any action or proceeding brought by either Landlord or the undersigned against the other on any matter whatsoever arising out of, under, or by virtue of any of the terms, covenants or conditions of the attached Lease or of this guaranty, the undersigned shall pay, in addition to any damages which a court of competent jurisdiction may award, such amount or amounts as the court may determine to be reasonable attorneys' fees incurred by Landlord or its successors or assigns in the enforcement of this guaranty. Landlord and Guarantor waive the right to trial by jury in any action, proceeding or counterclaim involving enforcement of this guaranty or involving the right to any statutory relief or remedy.

All rights under this guaranty shall inure to the benefit of any successors or assigns of Landlord.

This Guaranty relates to that certain First Amendment to Lease Agreement, dated October 4th, 2006, covering Premises located at 101 Convention Center Drive, Suite 1001/1002, Las Vegas, NV 89169.

IN WITNESS WHEREOF, the undersigned has signed this Guaranty as of the 4th of October, 2006.

YP Corp, A Nevada Corporation.
Guarantor

By: /s/ Daniel Coury

Daniel Coury, Sr.
Guarantor's Name

President/Chief Executive Officer
Guarantor's Title

4840 E. Jasmine Street, Suite 105
Mesa, Arizona 85205

85-0206668
Employer Identification Number

Exhibit 10.9

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("**Agreement**") is made and entered into on September 19, 2006 ("**Effective Date**") by and between YP Corp., a Nevada corporation (the "**Company**") and Daniel L. Coury, Sr. ("**Executive**").

Background

The Company has engaged Executive, since January 2006, in the dual capacity of Interim Chairman of the Board, Chief Executive Officer and President.

The Company and Executive now desire to extinguish their dual capacity interim arrangement, naming an independent director as Chairman of the board and making Executive official Chief Executive Officer and President.

In consideration of the mutual promises, covenants and agreements herein contained, intending to be legally bound, the parties agree as follows:

1. Employment. The Company hereby agrees to employ Executive, and Executive hereby agrees to serve, subject to the provisions of the Agreement, as an employee of the Company in the position of Chief Executive Officer and President. Executive will perform all services and acts reasonably necessary to fulfill the duties and responsibilities of his position and will render such services on the terms set forth herein and will report to the Company's Board of Directors (the "**Board**"). In addition, Executive will have such other executive and managerial powers and duties with respect to the Company as may reasonably be assigned to him by the Board, to the extent consistent with his position and status as set forth above. Executive agrees to devote his full business time, attention and energies to the extent reasonably necessary to perform the duties assigned hereunder, and to perform such duties diligently, faithfully and to the best of his abilities. Notwithstanding the foregoing, Company acknowledges and agrees that during the Term, Executive shall have the right to have a "financial interest" in or serve as a consultant, officer or director of any non-competing business; provided that Executive agrees that engaging in such outside activities shall not interfere with the performance of Executive's duties hereunder. Executive acknowledges that any such outside activities that involve an entity other than the Company or its subsidiaries will involve an entity independent of the Company and any actions or decisions Executive takes or makes on behalf of such entity will not be imputed to the Company or its subsidiaries.

2. Term. This Agreement is for the three-year period (the "**Term**") commencing on the Effective Date hereof and terminating on the third anniversary thereof, or upon the date of termination of employment pursuant to Section 8 of this Agreement; provided, however, that commencing on the third anniversary of the Effective Date and each anniversary thereafter the Term will automatically be extended for additional one year periods, unless either party hereto will have notified the other party hereto in writing within 90 days of such applicable anniversary that such extension will not take effect, in which event the Term shall end on the last day of the then current period.

3. Place of Performance. Executive may perform his duties and conduct his business on behalf of the Company at either the Company's offices in Mesa, Arizona or Las Vegas, Nevada or at remote locations of his choosing by telecommuting; provided that such practice shall not substantially interfere with the performance of Executive's duties hereunder.

4. Compensation.

(a) Salary. Executive's salary during the first year of this Agreement will remain at the annual rate of $420,000 (the "**Annual Salary**"), payable in accordance with the Company's regular payroll practices. For the Company's fiscal year ending September 30, 2008 and fiscal year ending September 30, 2009, Executive's Annual Salary shall be increased by 10% of the preceding year's Annual Salary.

(b) Performance Bonuses. Executive will receive an annual bonus of $150,000 in the event the Company reaches annual performance measures established by the Compensation Committee of the Company's Board of Directors. To the extent such test is met, the bonus will be paid to Executive no later than 10 days after the filing of the Company's annual Report on Form 10-K with the Securities and Exchange Commission. All bonuses payable under this Section 4(b) will be subject to all applicable withholdings, including taxes. In the event Executive's employment ends for any reason other than for Cause or a voluntary termination without Good Reason, Executive shall be eligible to receive the bonus described hereunder for the year in which his employment ends, payable at such time as the bonus would otherwise be payable.

(c) Exchange Bonus. Upon the Company's common stock becoming listed on a national exchange, Executive will receive a one-time bonus of $150,000 within 30 days after the listing takes effect. In the event Executive's employment ends for any reason other than for Cause or a voluntary termination without Good Reason, Executive shall be eligible to receive the bonus described hereunder if the listing occurs during the six-month period after his employment ends, payable at such time as the bonus would otherwise be payable.

(d) Discretionary Bonus. During each year of the Term, the Compensation Committee of the Board will review Executive's performance and may, in its sole discretion, cause to be paid to Executive a discretionary bonus in addition to the Annual Salary and other bonuses, subject to all applicable withholdings, including taxes.

(e) Restricted Stock. The Company will grant to Executive upon execution of this Agreement 1,000,000 shares of restricted common stock of the Company ("**Restricted Stock**") pursuant to the Company's 2003 Stock Plan and the Company's standard form of Restricted Stock Agreement ("**Restricted Stock Agreement**"). All shares of the Restricted Stock will immediately vest and no longer be subject to forfeiture upon the earlier to occur of (i) three years from the date of the Restricted Stock Agreement and (ii) a "Change of Control," as defined in the Company's 2003 Stock Plan. Additionally, upon termination of this Agreement and Executive's employment pursuant to Sections 8(a)(v) or (vi) below, any and all shares of restricted stock granted to Executive prior to the date of this Agreement and any shares of Restricted Stock granted pursuant to the Restricted Stock Agreement, in each case that are unvested at the time and for which the risk of forfeiture has lapsed pursuant to either of clauses 4(f)(i) through (iii) as a result of the Company achieving annual net income levels established by the Compensation Committee of the Company's Board of Directors, will immediately vest and no longer be subject to forfeiture under the 2003 Stock Plan, the Restricted Stock Agreement or any agreement pursuant to which such shares are granted. Notwithstanding the foregoing, any shares of the Restricted Stock owned by Executive, which remain unvested under the terms of the Company's 2003 Stock Plan, will be subject to forfeiture back to the Company in accordance with the following:

(i) 333,334 shares of the Restricted Stock shall be immediately returned to the Company and will no longer be eligible for vesting in the event the Company fails to achieve the annual net income measures for the Company's fiscal year ended September 30, 2006 established by the Compensation Committee of the Company's Board of Directors.

(ii) 333,333 shares of the Restricted Stock shall be immediately returned to the Company and will no longer be eligible for vesting in the event the Company fails to achieve the annual net income measures for the Company's fiscal year ended September 30, 2007 established by the Compensation Committee of the Company's Board of Directors.

(iii) 333,333 shares of the Restricted Stock shall be immediately returned to the Company and will no longer be eligible for vesting in the event the Company fails to achieve the annual net income measures for the Company's fiscal year ended September 30, 2008 established by the Compensation Committee of the Company's Board of Directors.

By way of example, in the event that the Company achieves the requisite annual net income measure for the fiscal year ended September 30, 2006 and also achieves the requisite annual net income measure for the fiscal year ended September 30, 2007 but fails to achieve the requisite annual net income measure for the fiscal year ended September 30, 2008, Executive would only be required to forfeit and return to the Company 333,333 shares of the Restricted Stock in accordance with subsection 4(f)(iii) above. If the Company achieved the annual net income measure set forth in subsection 4(f)(i) above, but fails to achieve the annual net income measure set forth in subsection 4(f)(ii) above, Executive would have been required to return 333,333 shares of the Restricted Stock to the Company pursuant to subsection 4(f)(ii) but would be permitted to retain the shares identified in subsection 4(f)(i). Any such retained shares would continue to be subject to risk of forfeiture pursuant to the applicable vesting schedule.

(f) Automobile. Executive will be provided with an automobile for Executive's use and Company shall pay all reasonable related costs and expenses, including, but not limited to, fuel, oil, maintenance, repairs, garage and insurance.

5. Business Expenses. During the Term, the Company will reimburse Executive for all reasonable business expenses incurred by him in connection with his employment and the performance of his duties, upon submission by the Executive of receipts and other documentation in conformance with the Company's normal procedures for executives of Executive's position and status. If Executive decides to travel on Company business using Executive's plane or by chartering a plane, he shall be reimbursed at reasonable commercial rates customary for an executive of his position.

6. Vacation, Holidays and Sick Leave. During the Term, Executive will be entitled to paid vacation paid holidays and paid sick leave in accordance with the Company's standard policies for its officers, as may be amended from time to time.

7. Benefits. During the Term, Executive will be eligible to participate fully in all health, disability and dental benefits, insurance programs, pension and retirement plans and other employee benefit and compensation arrangements (collectively, the "**Employee Benefits**") available to senior officers of the Company generally, as the same may be amended from time to time by the Board. Company shall reimburse Executive for any reasonable and medically necessary medical and dental costs and expenses incurred by Executive and/or his family to the extent that such costs and expenses are not covered by Company's insurance policies and in an amount not in excess of $10,000 per benefit year.

8. Termination of Employment.

(a) Notwithstanding any provision of this Agreement to the contrary, the employment of Executive hereunder will terminate on the first to occur of the following dates:

(i) the date of Executive's death;

(ii) the date on which Executive has experienced a Disability (as defined below), and the Company gives Executive notice of termination on account of Disability;

(iii) the date on which Executive has engaged in conduct that constitutes Cause (as defined below), and the Company gives notice of termination for Cause;

(iv) expiration of the Term upon delivery of proper and timely notice;

(v) the date on which the Company gives Executive notice of termination for any reason other than the reasons set forth in (i) through (iv) above; or

(vi) the date on which Executive gives the Company notice of termination for Good Reason (as defined below).

(b) For purposes of this Agreement, "**Disability**" will mean an illness, injury or other incapacitating condition as a result of which Executive is unable to perform, with reasonable accommodation, the services required to be performed under this Agreement for 180 consecutive days during the Term. Executive agrees to submit to such medical examinations as may be necessary to determine whether a Disability exists, pursuant to such reasonable requests made by the Company from time to time. Any determination as to the existence of a Disability will be made by a physician mutually selected by the Company and Executive.

(c) For purposes of this Agreement, "**Cause**" will mean the occurrence of any of the following events, as reasonably determined by the Board:

(i) Executive's willful and continued refusal to substantially perform his duties hereunder;

(ii) Executive's conviction of a felony, or his guilty plea to or entry of a nolo contendere plea to a felony charge; or

(iii) Executive's breach of any material term of this Agreement or the Company's written policies and procedures, as in effect from time to time; provided, however, that with respect to (i) or (iii) above, such termination for Cause will only be effective if the conduct constituting Cause is not cured by Executive within 30 days of receipt by Executive of written notice specifying in reasonable detail the nature of the alleged breach. For purposes of this subparagraph (c), no act or omission by Executive shall be considered "willful" unless done, or not done, by Executive in bad faith or without reasonable belief that such act or omission was in the best interests of Company, and any act or omission by Executive based upon or consistent with authority given to Executive under this Agreement or by the Board or upon advice of the Company's counsel, shall be conclusively presumed to be done in good faith and in the best interests of Company. There shall be a presumption that Executive has not violated Sections 8(c)(i) or (iii) above until there is a finding by the fact finder (i.e., judge, jury, or arbitrator) of wrongdoing sufficient to justify termination for Cause under these sections. Until such a finding is made, Executive shall receive all the payments and benefits that he would otherwise receive if his employment was terminated pursuant to Sections 8(a)(v) or (vi) above.

(d) For purposes of this Agreement, "**Good Reason**" will mean the occurrence of any of the following events, as reasonably determined by Executive:

(i) a substantial reduction in Executive's responsibilities and duties by the Board or change in job title, but excluding for reasons of Cause;

(ii) the removal of Executive from the Board of Directors, but excluding reasons for Cause;

(iii) the failure of the Company to pay Executive on a timely basis his total Annual Salary and/or bonuses, fees or payments earned;

(iv) the Company's breach of any material term of this Agreement; provided that in all cases Executive will have provided the Company with notice and not less than a 15 calendar day opportunity to cure the conduct that Executive claims constitutes Good Reason; and/or

(v) a Change of Control shall have occurred. For purposes of this Agreement, "Change of Control" shall have the meaning ascribed to it in the Company's 2003 Stock Plan.

9. Compensation in Event of Termination. Upon termination of this Agreement and Executive's employment, the Company will have no further obligation to Executive except to pay the amounts set forth in this Section 9.

(a) In the event Executive's employment is terminated pursuant to Sections 8(a)(ii), (iii) or (iv) on or before the expiration of the Term, Executive will be entitled to payment of any earned but unpaid Annual Salary for the year in which the Executive's employment is terminated through the date of termination, as well as any accrued but unused vacation, reimbursement of expenses and vested benefits to which Executive is entitled in accordance with the terms of each applicable Employee Benefits plan. Any bonuses, fees or payments due to Executive under Sections 4(b)-(e) above shall be paid to Executive as set forth therein.

(b) In the event Executive's employment is terminated pursuant to Section 8(a)(i), Executive's estate, conservator or designated beneficiary, as the case may be, will be entitled to receive, in addition to Executive's accrued salary and benefits through the date of death, a lump sum payment equivalent to six months' of Executive's Annual Salary in effect at the time of death;

(c) In the event Executive's employment is terminated pursuant to Section 8(a)(v) or (vi) on or before the expiration of the Term, and provided that Executive executes a valid release of any and all claims that Executive may have relating to his employment against the Company and its agents, including but not limited to its officers, directors and employees, in a form provided by the Company, Executive will be entitled to receive, as his sole and exclusive remedy, on the date of termination, in addition to his accrued salary and benefits through the date of termination, a lump sum amount equal to 12 months of payments that Executive would receive under the Agreement if his employment with the Company had not been terminated, including, but not limited to, the Annual Salary in effect at the time of termination, vacation, benefits and reimbursement of expenses. Any bonuses, fees or payments due to Executive under Sections 4(b)-(e) above shall be paid to Executive as set forth therein. Executive shall have no duty to mitigate in order to receive the benefits set forth herein and the benefits shall not be reduced or offset by other income, payments or profits received by Executive from any source. Notwithstanding the foregoing, if (i) Executive is a "specified employee" (as defined in Section 409A of the Internal Revenue Code of 1986, as amended), and (ii) the definition of Good Reason above does not qualify as an "involuntary" separation from service pursuant to guidance issued under Section 409A, the above payment will be paid to Executive in one lump sum on the first day of the seventh month following his separation from service. If Executive dies before he receives the above payment, the Company will distribute the benefits to Executive's beneficiary as soon as administratively feasible following the date of Executive's death.

(d) In the event that it shall be determined by the Company's public accounting firm that any payment or distribution by the Company or its affiliated companies to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any adjustment required under this Section 9(c) (a "**Payment**")), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended or any amendment, replacement or similar provision thereto, or any interest or penalties are incurred by Executive (other than interest or penalties incurred as a result of Executive's failure promptly to file appropriate tax returns or amended tax returns after notification of such determination by the Company's public accounting firm) with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "**Excise Tax**"), then Executive shall be entitled to receive within 30 days following such determination or such occurrence, as the case may be, an additional payment (a "**Gross Up Payment**") in an amount such that after payment by Executive of the Excise Tax imposed upon the Gross-Up Payment, Executive will retain an amount equal to the amount he would have retained had no Excise Tax been imposed.

10. Confidentiality. Executive covenants and agrees that he will not at any time during or after the end of the Term, without written consent of the Company or as may be required by law or valid legal process, directly or indirectly, use for his own account, or disclose to any person, firm or corporation, other than authorized officers, directors, attorneys, accountants and employees of the Company or its subsidiaries, Confidential Information (as hereinafter defined) of the Company. As used herein, "**Confidential Information**" of the Company means information about the Company of any kind, nature or description, including but not limited to, any proprietary information, trade secrets, data, formulae, supplier, client and customer lists or requirements, price lists or pricing structures, marketing and sales information, business plans or dealings and financial information and plans as well as papers, resumes and records (including computer records) that are disclosed to or otherwise known to Executive as a direct or indirect consequence of Executive's employment with the Company, which information is not generally known to the public or in the businesses in which the Company is engaged. Confidential Information also includes any information furnished to the Company by a third party with restrictions on its use or further disclosure.

11. Nonsolicitation and Noninterference.

(a) Customers and Suppliers. While employed by the Company and for a one-year period thereafter, Executive will not, directly or indirectly, solicit or influence or attempt to solicit or influence any current or prospective customer, client, vendor or supplier of the Company or any of its affiliates or subsidiaries to divert their business to any Competitor (as defined below) of the Company (whether or not exclusive) or otherwise terminate his or its relationship with the Company.

(b) Employees.

(i) Executive recognizes that, as a result of Executive's association with the Company, he will possess confidential information about other employees or consultants of the Company and its subsidiaries and affiliates relating to their education, experience, skills, abilities, compensation and benefits, and their interpersonal relationships with customers. Executive acknowledges and agrees that the information he possesses or will possess about these other employees or consultants is not generally known, is of substantial value to the Company and its affiliates and subsidiaries in developing its business and in securing and retaining customers, and is, will be or may be known to Executive because of his employment with the Company.

(ii) Accordingly, Executive agrees that, while employed by the Company and for a one-year period thereafter, Executive will not, directly or indirectly, induce, solicit or recruit any employee or consultant of the Company or its subsidiaries or affiliates or any individual that served as an employee or a consultant of the Company or its subsidiaries or affiliates in the past 12 months for the purpose of (A) being employed by or providing services to Executive or by any Competitor of the Company or (B) causing such individual to terminate his or her employment relationship with the Company for any purpose or no purpose.

(iii) For purposes of this Agreement, a "**Competitor**" will mean any other entity or person that provides or proposes to provide yellow pages listing services on the Internet.

(iv) the provisions of Sections 11(a) and (b) above shall not apply in the event that this Agreement is terminated pursuant to Sections 8(a)(v) or (vi) above.

12. Rights and Remedies upon Breach. In the event that Executive breaches, or threatens to breach, any of the material agreements or material covenants set forth herein, the Company will have the right and remedy to seek to obtain injunctive relief, it being agreed that any breach or threatened breach of any of the confidentiality, nonsolicitation or other restrictive covenants and agreements contained herein would cause irreparable injury to the Company and that money damages would not provide an adequate remedy at law to the Company.

13. Dispute Resolution. Except for an action exclusively seeking injunctive relief, any disagreement, claim or controversy arising under or in connection with this Agreement, including Executive's employment or termination of employment with the Company will be resolved exclusively by arbitration before a single arbitrator in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association (the "**Rules**"), provided that, the arbitrator will allow for discovery sufficient to adequately arbitrate any claims, including access to essential documents and witnesses; provided further, that the Rules will be modified by the arbitrator to the extent necessary to be consistent with applicable law. The arbitration will take place in Phoenix, Arizona. The award of the arbitrator with respect to such disagreement, claim or controversy will be in writing with sufficient explanation to allow for such meaningful judicial review as permitted by law, and that such decision will be enforceable in any court of competent jurisdiction and will be binding on the parties hereto. The remedies available in arbitration will be identical to those allowed at law. The arbitrator will be entitled to award reasonable attorneys' fees to the prevailing party in any arbitration or judicial action under this Agreement, consistent with applicable law. The Company and Executive each will pay its or his own attorneys' fees and costs in any such arbitration, provided that, the Company will pay for any costs, including the arbitrator's fee, that Executive would not have otherwise incurred if the dispute were adjudicated in a court of law, rather than through arbitration.

14. Binding Agreement.

(a) This Agreement is a personal contract and the rights and interests of Executive hereunder may not be sold, transferred, assigned, pledged, encumbered or hypothecated by him, provided that all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by Executive's personal or legal representatives, executors, heirs, administrators, successors, distributors, devisees and legatees.

(b) In addition to any obligations imposed by law, any successor to Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the assets of the Company, is bound by this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

15. Disclosure Obligations. During the Term, Executive agrees to make prompt and full disclosure to the Company of any change of facts or circumstances that may affect Executive's obligations undertaken and acknowledged herein, and Executive agrees that the Company has the right to notify any third party of the existence and content of Executive's obligations hereunder.

16. Return of Company Property. Executive agrees that following the termination of his employment for any reason, he will promptly return all property of the Company, its subsidiaries, affiliates and any divisions thereof he may have managed that is then in or thereafter comes into his possession, including, but not limited to, documents, contracts, agreements, plans, photographs, books, notes, electronically stored data and all copies of the foregoing, as well as any materials or equipment supplied by the Company to Executive.

17. Entire Agreement. This Agreement contains all the understandings between the parties hereto pertaining to the matters referred to herein, and supersedes all undertakings and agreements, whether oral or written, previously entered into by them with respect thereto. Executive represents that, in executing this Agreement, he does not rely, and has not relied, on any representation or statement not set forth herein made by the Company with regard to the subject matter, bases or effect of this Agreement otherwise.

18. Amendment or Modification, Waiver. No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing, signed by Executive and by a duly authorized officer of the Company. The failure of either party to this Agreement to enforce any of its terms, provisions or covenants will not be construed as a waiver of the same or of the right of such party to enforce the same. Waiver by either party hereto of any breach or default by the other party of any term or provision of this Agreement will not operate as a waiver of any other breach or default.

19. Notices. Any notice to be given hereunder will be in writing and will be deemed given when delivered personally, sent by courier or fax or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

To Executive at:

Daniel L. Coury, Sr.
____
____
____

To the Company at:

YP Corp
Suite 105
4840 E Jasmine Street
Mesa, AZ 85205-3321
Phone: (480) 860-0011
Fax: (480) 325-1257
Attention: Chief Financial Officer

Any notice delivered personally or by courier under this Section will be deemed given on the date delivered. Any notice sent by fax or registered or certified mail, postage prepaid, return receipt requested, will be deemed given on the date faxed or mailed. Each party may change the address to which notices are to be sent by giving notice of such change in conformity with the provisions of this Section.

20. Severability. In the event that any one or more of the provisions of this Agreement will be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder of the Agreement will not in any way be affected or impaired thereby. Moreover, if any one or more of the provisions contained in this Agreement will be held to be excessively broad as to duration, activity or subject, such provisions will be constructed by limiting and reducing them so as to be enforceable to the maximum extent allowed by applicable law.

21. Survivorship. The respective rights and obligations of the parties hereunder will survive any termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

22. Each Party the Drafter. This Agreement and the provisions contained in it will not be construed or interpreted for or against any party to this Agreement because that party drafted or caused that party's legal representative to draft any of its provisions.

23. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Arizona, without regard to its conflicts of laws principles.

24. Headings. All descriptive headings of sections and paragraphs in this Agreement are intended solely for convenience, and no provision of this Agreement is to be construed by reference to the heading of any section or paragraph.

25. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

26. Indemnification. Company shall indemnify, hold harmless and defend Executive for all acts or omissions taken or not taken by Executive while performing services for Company upon the terms and conditions set forth in the Company's bylaws. At all times during the Term, Company shall maintain an insurance policy covering all Officers and Directors of the Company against third party claims and lawsuits, and Company shall ensure that Executive shall be covered by such policy upon terms and conditions no less favorable to Executive than the terms and conditions governing the coverage accorded to such other Officers and Directors.

27. Interrelation with 2003 Stock Plan. To the extent any term of this Agreement conflicts with any term of the 2003 Stock Plan, the terms of this Agreement shall control.

28. Executive's Right to Audit Financial Records. Executive shall have the right, both during and after his employment, to review and/or receive copies of the financial and business records of the Company to the extent necessary to ensure compliance with the terms of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

YP CORP., a Nevada corporation

/s/ Gary Perschbacher
Gary Perschbacher
Chief Financial Officer

EXECUTIVE

/s/ Daniel L. Coury, Sr
Daniel L. Coury, Sr.

[DANIEL COURY EMPLOYMENT AGREEMENT]

Exhibit 10.10

Employment Agreement

This EMPLOYMENT AGREEMENT **("Agreement")** is made and entered into as of September 19, 2006 **("Effective Date")** by and between YP Corp., A Nevada corporation (the **"Company")** and Gary L. Perschbacher (the **"Executive").**

Background

The Company has engaged the Executive, on an interim basis since November 28, 2005, first as Special Assistant to the Chairman of the Board and then as Chief Financial Officer, pursuant to that certain Employment Agreement by and between the Company and Executive, dated March 31, 2006 **("Original Agreement").**

The Company and the Executive now desire to enter into a new Employment Agreement to extend the term of Executive's employment with the Company and further clarify the rights and obligations of the parties.

In consideration of the mutual promises, covenants and agreement herein contained, intending to be legally bound, the parties agree as follows:

1. **Employment.** The Company hereby agrees to employ Executive, and Executive hereby agrees to serve, subject to the provisions of the Agreement, as an employee of the Company in the position of Chief Financial Officer. Executive will perform all services and acts reasonably necessary to fulfill the duties and responsibilities of his position and will render such services on the terms set forth herein and will report to the Company's Chief Executive Officer.

2. **Term.** The term of this Agreement is for the three-year period (the **"Term"**) commencing on the Effective Date hereof and terminating on the third anniversary thereof, or upon the date of termination pursuant to Section 8 of this Agreement.

3. **Compensation.** Executive's salary during the first year of this Agreement will be at the annual rate of $200,000 (the **"Annual Salary"**), payable in accordance with the Company's regular payroll practices. For the Company's fiscal year ending September 30, 2008 and fiscal year ending September 30, 2009, Executive's Annual Salary shall be increased by 10% of the preceding year's Annual Salary. During the Term of the Executive's employment, he will remain a partner in Tatum, LLC (**"Tatum"**). As a partner of Tatum, Executive will share with Tatum a portion of his salary (16.67%) as specified in that certain Full-Time Engagement Resources Agreement between the Company and Tatum (the **"Resources Agreement").**

4. **Tatum Resources.** The Company acknowledges and agrees that the Employee is and will remain a partner of, and has and will retain an interest in, Tatum, which will benefit the Company in that the Employee will have access to certain Tatum resources pursuant to a certain Full-Time Engagement Resources Agreement between the Company and Tatum (the **"Resources Agreement"**).

5. **Business Expenses.** During the Term, the Company will reimburse Executive for all reasonable business expenses incurred by him in connection with his employment and the performance of his duties, upon submission by the Executive of receipts and other documentation in conformance with the Company's normal procedures for executives of Executive's position and status.

6. **Vacations, Holidays and Sick Leave.** During the Term, Executive will be entitled to paid vacation, paid holidays, and paid sick leave in accordance with the Company's standard policies for its officers, as may be amended from time to time.

7. **Benefits.** During the Term, Executive will be eligible to participate fully in all health, disability, vision and dental benefits, insurance programs, pensions and retirement plans, 401K plan, and other employee benefit and compensation arrangements (collectively, the **"Employee Benefits"**) available to senior officers of the Company generally, as the same may be amended from time to time by the Board. The Executive will be exempt from any delay periods required for eligibility. In lieu of the Executive participating in the Company-sponsored employee medical insurance benefit, the Executive will remain on his current Tatum medical plan. The Company will reimburse the Executive for amounts paid by the Executive for such medical insurance for himself of up to $500 per month upon presentation of reasonable documentation of premiums paid by the Executive to Tatum. In accordance with the U.S. federal tax law, such amount will not be considered reportable W-2 income, but instead non-taxable benefits expense.

The Executive must receive written evidence that the Company maintains adequate directors' and officers' insurance to cover the Executive in an amount of at least $7,500,000 at no additional cost to the Executive, and the Company will maintain such insurance during the Term of this Agreement.

Furthermore, the Company will maintain such insurance coverage with respect to occurrences arising during the Term of the Agreement for at least three years following the termination or expiration of the Agreement or will purchase directors' and officers' extended reporting period or "tail" policy to cover Executive.

The Company agrees to indemnify the Executive to the full extent permitted by law for any losses, costs, damages, and expenses, including reasonable attorneys' fees, as they are incurred, in connection with any cause of action, suit, or other proceedings arising in connection with Executive's employment with the Company.

8. **Termination of Employment.**

(a) Notwithstanding any provision of this Agreement to the contrary, the employment of Executive hereunder will terminate on the first to occur of the following dates:

(i) the date of Executive's death;

(ii) the date on which Executive has experienced a Disability (as defined below), and the Company gives Executive notice of termination on account of Disability;

(iii) the date on which Executive has engaged in conduct that constitutes Cause (as defined below), and the Company gives notice of termination for Cause;

(iv) expiration of the Term; or

(v) the date on which the Company gives Executive notice of termination for any reason other than the reasons set forth in (i) through (iv) above.

(b) For purposes of this Agreement, "Disability" will mean an illness, injury or other incapacitating condition as a result of which Executive is unable to perform, with reasonable accommodation, the services required to be performed under this Agreement for 180 consecutive days during the Term. Executive agrees to submit to such medical examinations as may be necessary to determine whether a Disability exists, pursuant to such reasonable requests made by the Company from time to time. Any determination as to the existence of a Disability will be made by a physician mutually selected by the Company and Executive.

(c) For purposes of this Agreement, "Cause" will mean the occurrence of any of the following events, as reasonably determined by the Board:

(i) Executive's willful and continued refusal to substantially perform his duties hereunder;

(ii) Executive's conviction of a felony, or his guilty plea to or entry of a nolo contendere plea to a felony charge; or

(iii) Executive's breach of any material term of this Agreement or the Company's written policies and procedures, as in effect from time to time; provided, however, that with respect to (i) or (iii) above, such termination for Cause will only be effective if the conduct constituting Cause is not cured by Executive within 30 days of receipt by Executive of written notice specifying in reasonable detail the nature of the alleged breach. For purposes of this subparagraph (c), no act or omission by Executive shall be considered "willful" unless done, or not done, by Executive in bad faith or without reasonable belief that such act or omission was in the best interests of Company, and any act or omission by Executive based upon or consistent with authority given to Executive under this Agreement or by the Board or upon advice of the Company's counsel, shall be conclusively presumed to be done in good faith and in the best interests of Company. There shall be a presumption that Executive has not violated Sections 8(c)(i) or (iii) above until there is a finding by the fact finder (i.e., judge, jury, or arbitrator) of wrongdoing sufficient to justify termination for Cause under these sections. Until such a finding is made, Executive shall receive all the payments and benefits that he would otherwise receive if his employment was terminated pursuant to Sections 8(a)(v) above.

9. **Compensation in Event of Termination.** Upon termination of this Agreement and Executive's employment, the Company will have no further obligation to Executive except to pay the amounts set forth in this Section 9.

(a) In the event Executive's employment is terminated pursuant to Sections 8(a)(i)(ii), (iii) or (iv) on or before the expiration of the Term, Executive or Executive's estate, conservator or designated beneficiary, as the case may be, will be entitled to payment of any earned but unpaid Annual Salary for the year in which the Executive's employment is terminated through the date of termination, as well as any accrued but unused vacation, reimbursement of expenses and vested benefits to which Executive is entitled in accordance with the terms of each applicable Employee Benefits plan.

(b) In the event Executive's employment is terminated pursuant to Section 8(a)(v) on or before the expiration of the Term, and provided that Executive executes a valid release of any and all claims that Executive may have relating to his employment against the Company and its agents, including but not limited to its officers, directors and employees, in a form provided by the Company, Executive will be entitled to receive, as his sole and exclusive remedy, on the date of termination, in addition to his accrued salary and benefits through the date of termination, a lump sum amount equal to three months of payments that Executive would receive under the Agreement if his employment with the Company had not been terminated.

10. **Confidentiality.** Executive covenants and agrees that he will not at any time during or after end of Term, without written consent of Company or as may be required by law or valid legal process, directly or indirectly, use for his own account, or disclose to any person, firm or corporation, other than authorized officers, directors, attorneys, accountants, and employees of the Company or its subsidiaries, Confidential Information (as hereinafter defined) of the Company. As used herein, **"Confidential Information"** of the Company means information about the Company of any kind, nature or description, including but not limited to, any proprietary information, trade secrets, data, formulae, supplier, client and customer lists, or requirements, price lists or pricing structures, marketing and sales information, business plans or dealings and financial information and plans as well as papers, resumes, and records (including computer records) that are disclosed to or otherwise known to Executive as a direct or indirect consequence of Executive's employment with the Company, which information is not generally known to the public or in the business in which the Company is engaged. Confidential Information also includes any information furnished to the Company by a third party with restrictions on its use or further disclosure.

11. **Binding Agreement.**

(a) This Agreement is a personal contract and the rights and interests of Executive hereunder may not be sold, transferred, assigned, pledged, encumbered or hypothecated by him, provided that all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by Executive's personal or legal representatives, executors, heirs, administrators, successors, distributors, devisees and legatees.

(b) In addition to any obligations imposed by law, any successor to Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the assets of the Company, is bound by this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

12. **Disclosure Obligations.** During the Term, Executive agrees to make prompt and full disclosure to the Company of any change of facts or circumstances that may affect Executive's or Company's obligations undertaken and acknowledged herein, and Executive agrees that the Company has the right to notify any third party of the existence and content of Executive's obligations hereunder.

13. **Return of Company Property.** Executive agrees that following the termination of his employment for any reason, he will promptly return all property of the Company, its subsidiaries, affiliates and any divisions thereof he may have managed that is then in or thereafter comes into his possession, including, but not limited to, documents, contracts, agreements, plans, photographs, books, notes, electronically stored data and all copies of the foregoing, as well as any materials or equipment supplied by the Company to Executive.

14. **Entire Agreement.** This Agreement contains all the understandings between the parties hereto pertaining to the matters referred to herein, and supersedes all undertakings and agreements, whether oral or written, previously entered into by them with respect thereto, including, without limitation, the Original Agreement, which is hereby terminated. Executive represents that, in executing this Agreement, he does not rely, and has not relied, on any representation or statement not set forth herein made by the Company with regard to the subject matter, bases or effect of this Agreement otherwise.

15. **Amendment or Modification, Waiver.** No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing, signed by Executive and by a duly authorized officer of the Company. The failure of either party to this Agreement to enforce any of its terms, provisions or covenants will not be construed as a waiver of the same or of the right of such party to enforce the same. Waiver by either party hereto of any breach or default by the other party of any term or provision of this Agreement will not operate as a waiver of any other breach or default.

16. **Notices.** Any notice to be given hereunder will be in writing and will be deemed given when delivered personally, sent by courier or fax or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

To Executive at:

Gary Perschbacher

To the Company at:

YP Corp
Suite 105
4840 E Jasmine Street
Mesa, AZ 85205-3321
Phone:(480) 860-0011
Fax: (480) 325-1257
Attention: Chief Executive Officer

Any notice delivered personally or by courier under this Section will be deemed given on the date delivered. Any notice sent by fax or registered or certified mail, postage prepaid, return receipt requested, will be deemed given on the date faxed or mailed. Each party may change the address to which notices are to be sent by giving notice of such change in conformity with the provisions of this Section.

17. **Severability.** In the event that any one or more of the provisions of this Agreement will be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder of the Agreement will not in any way be affected or impaired thereby. Moreover, if any one or more of the provisions contained in this Agreement will be held to be excessively broad as to duration, activity or subject, such provisions will be constructed by limiting and reducing them so as to be enforceable to the maximum extent allowed by applicable law.

18. **Survivorship.** The respective rights and obligations of the parties hereunder will survive any termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. **<u>Each Party the Drafter</u>.** This Agreement and the provisions contained in it will not be construed or interpreted for or against any party to this Agreement because that party drafted or caused that party's legal representative to draft any of its provisions.

20. **<u>Governing Law</u>.** This Agreement will be governed by and construed in accordance with the laws of the State of Arizona, without regard to its conflicts of laws principles.

21. **<u>Headings</u>.** All descriptive headings of sections and paragraphs in this Agreement are intended solely for convenience, and no provision of this Agreement is to be construed by reference to the heading of any section or paragraph.

22. **<u>Counterparts</u>.** This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

YP CORP., a Nevada corporation	Executive
/s/ Daniel L. Coury, Sr	/s/ Gary Pershbacher
Daniel L. Coury, Sr	Gary Pershbacher
Chief Executive Officer	

[GARY PERSCHBACHER EMPLOYMENT AGREEMENT]

Exhibit 10.13.1

FIRST AMENDMENT
TO
EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment"), effective as of September 19, 2006 ("Effective Date"), is made and entered into by and between John Raven ("Executive"), and YP Corp., a Nevada corporation (the "Company"). Capitalized terms not otherwise defined herein shall have the same meaning set forth in that certain Employment Agreement ("Agreement") made effective by and between Executive and the Company on February 6, 2006.

BACKGROUND

Executive and the Company entered into the Agreement pursuant to which Executive agreed to act as Chief Operating Officer and Chief Technical Officer of the Company in accordance with the terms and conditions more particularly described therein.

The parties desire to amend the Agreement with respect to its term and the Executive's salary in the manner particularly set forth below.

In consideration of the mutual promises, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows.

1. **Continuing Effect of the Agreement**. Except as expressly provided in this Amendment, the Agreement will remain unchanged and in full force and effect; provided, however, nothing contained in the Agreement will have the effect of preventing or limiting, in any way, the terms of this Amendment. Furthermore, if any conflict arises between the terms of this Amendment and the terms of the Agreement, this Amendment will govern as to the conflicting terms.

2. **Amendment of Section 2.** Section 2 of the Agreement is hereby deleted and replaced in its entirety by the following:

> 2. Term. This Agreement will continue until September 20, 2009 (the "**Term**") or upon the date of termination of employment pursuant to Section 8 of this Agreement; provided, however, that commencing on September 20, 2006 and each anniversary thereafter the Term will automatically be extended for one additional year unless, not later than 30 days prior to any such anniversary, either party hereto will have notified the other party hereto that such extension will not take effect, in which event the Term shall end on the last day of the then current period.

3. **Amendment of Section 4**. Section 4(a) of the Agreement is hereby deleted and replaced in its entirety by the following:

4. Compensation.

(a) Salary. Executive's salary will be at the annual rate of $220,000 (the "**Annual Salary**"), payable in accordance with the Company's regular payroll practices. All applicable withholdings, including taxes, will be deducted from such payments. Beginning October 1, 2007 and annually thereafter, the Annual Salary will be as determined by the Compensation Committee of the Board, but shall in no event be less than 110% of the previous year's Annual Salary.

4. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors, and assigns. The parties hereby consent to the personal jurisdiction of the courts located in the State of Arizona.

5. Execution in Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be considered an original, but all of which together shall be deemed to be one and the same document.

6. Severability. If any provision of this Amendment is deemed unenforceable by any court, tribunal or other body with dispute or interpretive jurisdiction over this Amendment or the parties, then such provisions shall be reformed by such court, tribunal or other body in such a manner to make the provision enforceable as nearly in accordance with the manifest intent of the parties as possible.

7. Governing Law. This Amendment was negotiated in and is being contracted for in the State of Arizona, and shall be governed by the laws of the State of Arizona, United States of America, notwithstanding any conflict-of-law provision to the contrary. The parties hereby consent to the personal jurisdiction of the courts located in the State of Arizona.

8. Construction. This Amendment has been prepared for the benefit of all parties hereto and no inference shall be made that any party prepared this Amendment and no inferences are to be drawn against any party upon the basis that this Amendment was prepared by one party or the other.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

YP CORP., a Nevada corporation

/s/ Daniel L. Coury, Sr.
Daniel L. Coury, Sr.
Chief Executive Officer

EXECUTIVE

/s/ John Raven
John Raven

Exhibit 10.15

EXECUTION VERSION

STOCK REPURCHASE AND DOMAIN NAME TRANSFER AGREEMENT

This Stock Repurchase and Domain Name Transfer Agreement (this "Agreement"), effective as of July 21, 2006, is entered into by and among YP Corp, a Nevada corporation ("YP"), Telco Billing, Inc., a Nevada corporation and wholly-owned subsidiary of YP ("Telco") and Onramp Access, Inc., a Texas corporation ("Onramp").

WHEREAS, Onramp has registered the internet domain name www.yp.com (the "Domain Name"); and

WHEREAS, on July 8, 2003, Telco and Onramp entered into an Exclusive Domain Name License Agreement (the "License Agreement"), pursuant to which Onramp agreed to license the Domain Name in exchange for $250,000 and 100,000 shares of YP's common stock (the "Shares"); and

WHEREAS, pursuant to Section 2.2.2 of the License Agreement, Onramp could exercise a put option to sell the Shares to Telco for $3.00 per share (the "Repurchase"), provided that Onramp grant all right, title and interest in the Domain Name to Telco (the "Domain Transfer"); and

WHEREAS, Onramp has notified YP and Telco of Onramp's intention to consummate the Repurchase and the Domain Transfer; and

WHEREAS, the parties desire to set forth the terms and conditions pursuant to which each will complete the Repurchase and Domain Transfer.

NOW, THEREFORE, in consideration of the acts, payments, covenants and mutual agreements herein described and agreed to be performed, YP, Telco and Onramp hereby agree as follows:

1. **Purchase and Sale of the Shares.**

(a) Upon the terms of the License Agreement and this Agreement, Onramp hereby agrees to sell to YP, and YP hereby agrees to purchase from Onramp, the Shares.

(b) The purchase price per share for the Shares shall be $3.00 per share, or an aggregate of Three Hundred Thousand Dollars and No/100 ($300,000) (the "Purchase Price").

(c) Immediately prior to payment of the Purchase Price, Onramp shall surrender to YP, or to an agent mutually acceptable to Onramp and YP, any and all certificates representing the Shares being purchased, together with duly executed stock powers for the transfer of such Shares to YP, or otherwise provide to YP satisfactory evidence of the transfer of the Shares to YP. Within two hours after YP's receipt, either directly or through the agent designated above, of such certificates and transfer instruments from Onramp, or upon YP's receipt of such other satisfactory evidence of the transfer of the Shares to YP, YP shall pay the Purchase Price for the Shares to Onramp by check or by wire transfer to an account designated in writing by Onramp in immediately available funds.

2. **Domain Transfer.**

(a) Onramp agrees to irrevocably sell, assign and transfer unto Telco all of its right, title and interest in and to the Domain Name and any related information associated therewith, along with any associated intellectual property rights thereto, including without limitation all trademark value, goodwill and other rights associated with the formatives or marks "YP" and "YP.COM" (the "Transferred Rights"). Telco hereby accepts such assignment and transfer.

(b) Onramp hereby irrevocably consents and authorizes the current registrar of this Domain Name (the "Registrar") to transfer the Domain Name to Telco in accordance with the regular transfer procedures of Registrar. Onramp will complete any and all papers required by Registrar necessary to transfer this Domain Name, including submitting to Registrar the appropriate fee(s), with the fees reimbursed by Telco. Onramp hereby agrees not to interfere, or cause any third party to interfere, with Telco in obtaining, registering, renewing and maintaining the Domain Name. Onramp agrees that it will submit the completed papers to Registrar and take all actions necessary to enable the Domain Transfer no later than ten (10) days after the effective date of this Agreement.

(c) Upon execution of this Agreement, Onramp hereby agrees to promptly transfer and provide Telco with all pertinent facts, information and documents relating to the Domain Name or otherwise to the Transferred Rights which may be known and accessible to Onramp, including any contacts or communications from third parties generated by the Domain Name.

(d) Onramp covenants and agrees that it and its directors, officers and employees shall hereafter take such other actions and execute such other agreements and instruments as are reasonably deemed necessary by Telco to document Onramp's assignment to Telco of the Domain Name and other Transferred Rights.

3. **Representations, Warranties and Covenants of Onramp.** Onramp hereby represents, warrants and covenants to YP as follows:

(a) **Ownership of the Shares.** Onramp is the sole beneficial owner and holder of the entire right, title and interest in and to the Shares, free and clear of all liens and other encumbrances (other than restrictions on transfer imposed by federal and state securities laws).

(b) **Ownership of Domain Name.** Except with respect to the license granted by the License Agreement, Onramp has not previously assigned, transferred to any party, granted any rights or license, or otherwise disposed of any rights in, and that is owns and possess all rights, title and interest in the Domain Name and other Transferred Rights. Onramp does not possess any actual knowledge of any existing threatened or known claims or liabilities against Onramp relating to the Domain Name and the Domain Name is free and clear of any liens, security interests and other encumbrances.

(c) **Authorization; Enforceability.** Onramp has full power and authority to enter into this Agreement. This Agreement constitutes a valid and legally binding obligation of Onramp, enforceable against Onramp in accordance with its terms.

(d) **No Conflicts.** The execution and delivery by Onramp of this Agreement does not, and the consummation of the transactions contemplated hereby will not: (i) conflict with or result in a violation or breach of any law, rule, regulation, order or decree applicable to Onramp; (ii) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, any contract to which Onramp is a party; (iii) except as set forth in this Agreement or as required by the federal securities laws, require Onramp to obtain any consent, approval or action of, make any filing with or give any notice to any person as a result or under the terms of any contract to which Onramp is a party; or (iv) result in the creation or imposition of any lien or other encumbrance upon the Shares.

(e) **Adequacy of Information.** Onramp has had access to information regarding YP and its business necessary to make an informed and knowledgeable decision with regard to the transactions contemplated hereby. Onramp understands that the Shares may in the future trade at prices higher than the purchase price at which Onramp is selling such Shares to YP under this Agreement, and that Onramp, by entering into this Agreement, is foregoing any and all opportunities to share in any such increased value with respect to any Shares sold hereunder. Onramp has not relied upon YP, or any of its affiliates or agents, and has instead made its own independent analysis, in determining to enter into this Agreement and to consummate the transactions contemplated hereby.

(f) **Future Use of Domain Name.** Onramp covenants and agrees that after transfer, Onramp shall not make any further use, either for its own benefit or for the benefit of any other person or entity, of the Domain Name. As of the effective date of this Agreement, Telco shall, as the sole owner of the Domain Name, have the exclusive right to use or otherwise transfer the Domain Name. Onramp agrees that it, and any entities it controls or is associated with, shall not in the future register, use, apply to register or assist any third party to register, use or apply to register any domain names or trademarks that are confusingly similar to YP or YP.COM, including any other formatives, misspellings, URL extensions and/or any other phrases using YP or a similar term that comprises or includes, whether alone or in combination with each other or with other words, the Domain Name or any variation thereof. Other than as specifically set forth in this paragraph, Onramp shall not download any information or applications to any website associated with the Domain Name, link to or from the Domain Name, have or attempt to have access to any DNS servers associated with Telco or the Domain Name, or in any way hinder or impede any website or email content or communications associated with the Domain Name in the future.

4. **Representations, Warranties and Covenants of YP and Telco.** YP and Telco hereby represent, warrant and covenant to Onramp as follows:

(a) **Authorization; Enforceability.** YP and Telco have full power and authority to enter into this Agreement. This Agreement (i) will be duly authorized by all necessary corporate action and (ii) constitutes a valid and legally binding obligation of YP and Telco, enforceable against each in accordance with its terms.

(b) **No Conflicts.** The execution and delivery by YP and Telco of this Agreement does not, and the consummation of the transactions contemplated hereby will not: (i) conflict with or result in a violation or breach of any law, rule, regulation, order or decree applicable to either YP or Telco; (ii) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, any contract to which YP or Telco is a party, or (iii) except as set forth in this Agreement or as required by the federal securities laws, require YP or Telco to obtain any consent, approval or action of, make any filing with or give any notice to any person as a result or under the terms of any contract to which YP or Telco is a party.

5. **Release.** Each party hereby releases and covenants not to sue or to cause others to sue the other party on any or all claims, actions, causes of action, suits, debts, contracts, agreements, damages, injuries, and demands whatsoever, in law or equity, which such party ever had, now has or hereafter may have for, upon or by reason of any act, omission, transaction, matter, cause, commission or thing arising out of, in connection with or relating to the Domain Name. The foregoing release and covenant shall exclude claims and warranties to enforce or protect the rights and duties created by this Agreement.

6. **Waiver.** Upon completion of the obligations and duties created by this Agreement, each party will and hereby does waive any actual or potential breach of the other under the License Agreement.

7. **Miscellaneous.**

(a) **Survival.** The representations, warranties, covenants and agreements of Onramp, YP and Telco contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the closing of the transactions contemplated hereby.

(b) **Remedies.** YP and Telco, on the one hand, and Onramp, on the other, acknowledge and agree that irreparable damage will occur in the event that any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court having jurisdiction. The foregoing remedies shall be in addition to any other remedy to which a party hereunder may be entitled at law or in equity.

(c) **Nature of Agreement.** This Agreement and all provisions thereof, including all representations and promises contained herein, are contractual and not a mere recital and shall continue in permanent force and effect. Except for the License Agreement, this Agreement constitutes the sole and entire agreement of the parties with respect to the subject matter hereof, and there are no agreements of any nature whatsoever between the parties hereto with respect to the subject matter hereof, except as expressly stated or referenced herein. This Agreement may not be modified or changed unless done so in writing, signed by both parties. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without regard to choice of law principles.

(d) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Facsimile signatures shall be acceptable.

(e) **Notices.** Unless otherwise provided, any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered by overnight courier or sent by facsimile, or upon delivery when delivered personally, or upon seventy-two (72) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, addressed to the party to be notified at such party's address or facsimile number, as subsequently modified by written notice, as follows:

(i) if to Onramp, to Onramp Access, Inc., 3012 Montopolis Drive, Suite 300, Austin, Texas 78741, Attn: Chad Kissinger, or

(ii) if to YP or Telco, to YP Corp, 4840 East Jasmine Street, Suite 105, Mesa, Arizona 85205, Attn: President.

(f) **Severability.** If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable for whatever reason, the remaining provisions of this Agreement shall nevertheless continue in full force and effect without being impaired in any manner whatsoever.

(g) **Further Assurances.** Each party to this Agreement agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

YP CORP, a Nevada corporation

/s/ John Raven

By: John Raven

Its: Chief Operating Officer

TELCO BILLING, INC., a Nevada corporation

/s/ John Raven

By: John Raven

Its: Chief Operating Officer

ONRAMP ACCESS, INC., a Texas corporation

/s/ Chad Kissinger

By: Chad Kissinger

Its: President

Exhibit 18

December 18, 2006

To the Audit Committee of the Board of
Directors of YP Corp.:

Gentlemen:

Pursuant to your request we have read the statements contained in Note 3 to the financial statements included in the Form 10- of YP Corp. for the year ended September 30, 2006. As stated in Note 3, the Company changed its method of accounting for customer acquisition costs such that customer acquisition costs are expensed as incurred rather than capitalized and amortized over the estimated attrition period of those customers. Additionally, Note 3 states that the Company believes that this is a preferable method as it has become more difficult to allocate cost to pools of customers and to track attrition rates.

You have requested a letter from us as your Independent Registered Public Accounting Firm that you can file with the Securities and Exchange Commission indicating whether or not we believe the aforementioned change in method of accounting is preferable under your particular circumstances. This letter is submitted to you solely for that purpose.

Based on our reading of the information set forth in the Form 10-K of YP Corp. for the year ended September 30, 2006, we believe (a) the newly adopted accounting principle is a generally accepted accounting principle (b) the method of accounting for the effect of the change is in conformity with generally accepted accounting principles, (c) the Company has justified the use of the newly adopted accounting principle on the basis that it is preferable as required by Accounting Principles Board Opinion No. 20 as superseded Financial Accounting Standards Board Statement No. 154, and the Company's justification for the change is reasonable, and (d) there are no unusual circumstances such that the selection and application of the newly adopted accounting principle would make the financial statements taken as a whole misleading.

While there are two methods of accounting for customer acquisition costs that are acceptable under generally accepted accounting principles, we believe that, under your particular circumstances, the aforementioned change is a preferable alternative accounting principle.

Very truly yours,

/s/ EPSTEIN, WEBER & CONOVER. PLC

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
YP Corp.:

We consent to the incorporation by reference in the registration statements of YP Corp., f/k/a YP.Net, Inc., on Form S-8 (File No. 333-107721) filed as of August 7, 2003, of our report dated December 18, 2006, on the consolidated balance sheet of YP Corp. as of September 30, 2006 and 2005 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended September 30, 2006, which report appears in YP Corp.’s Annual Report on Form 10-K.

/s/ Epstein, Weber & Conover P.L.C.

Scottsdale, Arizona
December 21, 2006

Exhibit 31

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Daniel L. Coury, Sr., Chief Executive Officer of YP Corp., certify that:

1. I have reviewed this Annual Report on Form 10-K of YP Corp.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have;

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent function);

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 28, 2006

/s/ Daniel L. Coury, Sr.

Daniel L. Coury, Sr.
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Gary L. Perschbacher, Chief Financial Officer of YP Corp., certify that:

1. I have reviewed this Annual Report on Form 10-K of YP Corp.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 28, 2006

/s/ Gary L. Perschbacher
Gary L. Perschbacher
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION OF THE
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel L. Coury, Sr., the Chief Executive Officer of YP Corp., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of YP Corp. on Form 10-K for the fiscal year ended September 30, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of YP Corp.

Date: December 28, 2006

/s/ Daniel L. Coury, Sr.
Daniel L. Coury, Sr.
Chief Executive Officer

I, Gary L. Perschbacher, the Chief Financial Officer of YP Corp., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of YP Corp. on Form 10-K for the fiscal year ended September 30, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of YP Corp.

Date: December 28, 2006

/s/ Gary L. Perschbacher
Gary L. Perschbacher
Chief Financial Officer