

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) is May 17, 2005

YP CORP.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or jurisdiction)

000-24217

(Commission File Number)

85-0206668

(IRS Employer Identification Number)

4940 E. Jasmine Street, Suite 105, Mesa, Arizona

(Address of principal
executive office)

85205

(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On May 17, 2005, YP Corp. issued a press release announcing its earnings for its fiscal quarter ended March 31, 2005. A copy of the press release is attached as Exhibit 99.1.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1934, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

| <u>Exhibit No.</u> | <u>Item</u> |
|---------------------------|--------------------|
|---------------------------|--------------------|

| | |
|------|--|
| 99.1 | Press Release dated May 17, 2005 reporting the Registrant’s earnings for the quarterly fiscal period ended March 31, 2005. |
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SIGNATURES

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

Date: May 17, 2005

YP CORP.

/s/ Peter Bergmann

Peter Bergmann, Chairman and Chief Executive Officer

YP CORP. ANNOUNCES SECOND FISCAL QUARTER 2005 RESULTS

Reports Positive Growth in Revenues, Solid Return to Profitability and an Increasing Customer Base

(Mesa , AZ) - May 17, 2005

YP Corp. (OTCBB: YPNT), a leading provider of nationwide Internet Yellow Pages and related services, today reported quarter over quarter increases in its customer base, net revenue, net income and cash for its second fiscal quarter, ended March 31, 2005.

Net revenue for the quarter ended March 31, 2005 was \$6,444,609. This is an increase of approximately 4.1% over net revenue of \$6,190,155 for the prior quarter. Operating income for the quarter was \$383,806, an increase of \$619,265 from an operating loss of \$235,459 in the quarter ended December 31, 2004. Operating margins for the current quarter were 6.0% as compared to an operating margin deficit of 3.8% in the prior quarter. Net income for the quarter ended March 31, 2005 was \$298,280, or \$0.01 per share on a diluted basis.

Results from operations for the second fiscal quarter were an incremental improvement over the first quarter, demonstrating results from the positive focus the Company has placed on the resolution of many of the billing issues it had experienced over the past year. The Company continues to keep the focus on its reconfirmation program. This is having a positive impact as the Company's paying customer base increased to 105,000, which is more than a 10.5% increase since December 31, 2004. This focused effort, management's expense control plan and the continued migration of customers to Automated Clearing House ("ACH") billing, resulted in an increase in cash and cash equivalents to \$8,201,559 from \$6,155,684 at December 31, 2004 and from \$3,576,529 at September 30, 2004.

"We have confronted and addressed significant challenges over the past 12 months and I believe YP Corp. is now headed in a sustainable positive direction," said Peter J. Bergmann, YP Corp.'s president and chief executive officer. "I am pleased with the stage of the turnaround we are at and expect we will continue to gain momentum in the quarters that follow."

"We have grown our customer base in the last quarter and our team has created new marketing initiatives, which are helping to attract additional new customers. Moreover, our National sales effort is beginning to take off, which we believe will become an additional revenue stream for us," added Mr. Bergmann.

As a result of the billing issues that began in the second half of fiscal 2004, the Company focused its efforts and has migrated over 50% of its advertisers from billing through Local Exchange Carriers ("LECs") on their local telephone bill to ACH billings, which automatically debits the advertisers' checking accounts. While the Company believes that ACH billing is a more desirable billing method because it is less expensive, has a faster collection time, and presents minimal dilution to revenue, the process of converting advertisers from LEC billing to ACH has been time-consuming, labor-intensive, and has resulted in missed billings and customer cancellations.

"The ACH billing allows us to have healthy cash flow. YP Corp. is in a positive cash growth position and has paid a \$0.01 cash dividend for five consecutive quarters," added W. Chris Broquist, YP Corp.'s chief financial officer. "At the end of the quarter, we had cash and cash equivalents of \$8,201,559 and had generated cash from operations this past quarter of \$2,766,501."

"Now that we have stabilized the Company and have it back on a growth path, it is an opportune time to explore the strategic options we announced in October, 2004," concluded Mr. Bergmann. "We have been working with Jefferies & Company, Inc., our financial advisors, and are now ready to explore strategic alternatives to enhance shareholder value."

Financial statements for the periods ended March 31, 2005 are set forth below, as well as in the Company's Form 10-Q, which was filed with the Securities Exchange Commission on May 16, 2005.

About YP Corp.

YP Corp., a leading provider of Internet-based Yellow Pages services, offers an Internet Advertising Package™ ("IAP") that includes a Mini-WebPage™ and Preferred Listing through its Yellow Pages web site at www.YP.Com. The Company's web site contains listings for approximately 17 million businesses in the United States.

YP Corp. also provides an array of other Internet services that complement its Yellow Pages web site, including an Internet Dial-Up Package™ (dial-up Internet access) and QuickSite™ (web site design & hosting services).

YP Corp. is a longstanding member, exhibitor and sponsor of the two major Yellow Pages trade associations - Yellow Page Integrated Media Association (YPIMA), the major trade association of Yellow Pages publishers throughout the world, and the Association of Directory Publishers (ADP), which mostly represents independent Yellow Pages publishers. YP Corp. is based in Mesa, AZ and Las Vegas, NV. For more information, visit the web site at www.YP.Com.

Forward-looking Disclaimer

This press release may include statements that constitute "forward-looking statements," which are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Forward-looking statements involve risks, uncertainties and other factors that may cause actual results, performance or achievements of YP Corp. and its subsidiary to be materially different from those expressed or implied by such forward-looking statements. Specific forward-looking statements contained in this press release include, but are not limited to, (i) the Company's belief that it has returned to a growth mode in its financial performance and results of operations; (ii) the Company's belief that its National sales efforts will create an additional revenue stream; and (iii) the continued success of the Company's efforts to address the challenges it faced during fiscal 2004, particularly with respect to its billing and collections issues.

Factors that may affect forward-looking statements and the Company 's business generally include but are not limited to (i) the risk factors and cautionary statements made in the Company 's Quarterly Report on Form 10-QSB for the second fiscal quarter ended March 31, 2005; and (ii) other factors that YP Corp. is currently unable to identify or quantify, but may exist in the future.

Forward-looking statements speak only as of the date the statement was made. YP Corp. does not undertake and specifically declines any obligation to update any forward-looking statements.

FINANCIAL TABLES FOLLOW

YP CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | March 31, 2005 (unaudited) | September 30, 2004 |
|---|---|-------------------------------|
| Assets | | |
| Cash and equivalents | \$ 8,201,559 | \$ 3,576,529 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,273,045 and \$3,400,575 | 6,271,276 | 8,362,283 |
| Prepaid expenses and other current assets | 1,180,870 | 822,919 |
| Income tax refund receivable | - | 1,239,436 |
| Deferred tax asset | - | 352,379 |
| Total current assets | 15,653,705 | 14,353,546 |
| Accounts receivable, long term portion, net of allowance for doubtful accounts of \$85,523 and \$269,662 | 1,836,596 | 2,075,334 |
| Customer acquisition costs, net of accumulated amortization of \$3,977,694 and \$5,096,669 | 2,980,972 | 4,482,173 |
| Property and equipment, net | 579,468 | 725,936 |
| Deposits and other assets | 60,919 | 239,060 |
| Intangible assets, net of accumulated amortization of \$2,849,428 and \$2,446,403 | 3,139,018 | 3,326,274 |
| Advances to affiliates | 4,052,834 | 3,894,862 |
| Total assets | \$ 28,303,512 | \$ 29,097,185 |
| Liabilities and Stockholders' Equity | | |
| Accounts payable | \$ 584,211 | \$ 1,210,364 |
| Accrued liabilities | 413,416 | 542,481 |
| Income taxes payable | 243,497 | - |
| Deferred tax liability | 14,988 | - |
| Notes payable- current portion | 115,868 | 115,868 |
| Total current liabilities | 1,371,980 | 1,868,713 |
| Deferred income taxes | 408,220 | 1,116,314 |
| Total liabilities | 1,780,200 | 2,985,027 |
| Commitments and contingencies | - | - |
| Series E convertible preferred stock, \$.001 par value, 200,000 shares authorized, 127,840 and 128,340 issued and outstanding, liquidation preference \$38,202 | 10,866 | 10,909 |
| Common stock, \$.001 par value, 100,000,000 shares authorized, 50,254,294 and 50,071,302 issued and outstanding | 50,254 | 50,071 |
| Paid in capital | 10,131,250 | 11,375,384 |
| Deferred stock compensation | (3,965,108) | (5,742,814) |
| Retained earnings | 20,296,050 | 20,418,608 |
| Total stockholders' equity | 26,523,312 | 26,112,158 |
| Total liabilities and stockholders' equity | \$ 28,303,512 | \$ 29,097,185 |

See accompanying notes to consolidated financial statements.

YP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

| | <u>Three Months Ended March 31,</u> | | <u>Six Months Ended March 31,</u> | |
|--|-------------------------------------|---------------------|-----------------------------------|---------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Net revenues | \$ 6,444,609 | \$ 16,367,853 | \$ 12,634,764 | \$ 30,207,820 |
| Cost of services | 860,933 | 6,600,782 | 1,995,517 | 11,482,984 |
| Gross profit | <u>5,583,676</u> | <u>9,767,071</u> | <u>10,639,247</u> | <u>18,724,836</u> |
| Operating expenses: | | | | |
| General and administrative expenses | 3,181,644 | 3,107,522 | 6,566,495 | 5,871,265 |
| Sales and marketing expenses | 1,720,034 | 1,445,965 | 3,330,527 | 2,736,345 |
| Depreciation and amortization | 298,192 | 199,719 | 593,879 | 395,912 |
| Total operating expenses | <u>5,199,870</u> | <u>4,753,206</u> | <u>10,490,901</u> | <u>9,003,522</u> |
| Operating income | 383,806 | 5,013,865 | 148,346 | 9,721,314 |
| Other income (expense): | | | | |
| Interest expense and other financing costs | (4,447) | (3,795) | (8,610) | (7,667) |
| Interest income | 91,650 | 82,340 | 176,762 | 157,365 |
| Other income | 21,088 | 71,395 | 107,453 | 346,153 |
| Total other income (expense) | <u>108,291</u> | <u>149,940</u> | <u>275,605</u> | <u>495,851</u> |
| Income before income taxes and cumulative effect of accounting change | 492,097 | 5,163,805 | 423,951 | 10,217,165 |
| Income tax benefit (provision) | <u>(193,817)</u> | <u>(1,815,206)</u> | <u>(176,447)</u> | <u>(3,583,881)</u> |
| Income before cumulative effect of accounting change | 298,280 | 3,348,599 | 247,504 | 6,633,284 |
| Cumulative effect of accounting change (net of income taxes of \$53,764 in 2004) | - | - | 99,848 | - |
| Net income | <u>\$ 298,280</u> | <u>\$ 3,348,599</u> | <u>\$ 347,352</u> | <u>\$ 6,633,284</u> |
| Net income per common share: | | | | |
| Basic: | | | | |
| Income applicable to common stock before cumulative effect of accounting change | \$ 0.01 | \$ 0.07 | \$ 0.01 | \$ 0.14 |
| Cumulative effect of accounting change | \$ - | \$ - | \$ 0.00 | \$ - |
| Net income applicable to common stock | \$ 0.01 | \$ 0.07 | \$ 0.01 | \$ 0.14 |
| Diluted: | | | | |
| Income applicable to common stock before cumulative effect of accounting change | \$ 0.01 | \$ 0.07 | \$ 0.01 | \$ 0.14 |
| Cumulative effect of accounting change | \$ - | \$ - | \$ 0.00 | \$ - |
| Net income applicable to common stock | \$ 0.01 | \$ 0.07 | \$ 0.01 | \$ 0.14 |
| Weighted average common shares outstanding: | | | | |
| Basic | <u>46,749,794</u> | <u>46,946,458</u> | <u>46,749,544</u> | <u>46,904,402</u> |
| Diluted | <u>46,825,577</u> | <u>48,145,140</u> | <u>46,901,954</u> | <u>47,640,118</u> |

See accompanying notes to consolidated financial statements.

YP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six Months Ended March 31, | |
|---|-----------------------------------|---------------------|
| | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 347,352 | \$ 6,633,284 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 593,878 | 395,912 |
| Amortization of deferred stock compensation | 567,599 | 503,071 |
| Issuance of common stock as compensation for services | 119,500 | - |
| Cumulative effect of accounting change | (99,848) | - |
| Deferred income taxes | (394,491) | 37,962 |
| Loss on disposal of equipment | - | 36,932 |
| Provision for uncollectible accounts | (16,220) | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | 2,345,965 | (5,801,351) |
| Customer acquisition costs | 1,501,201 | (502,547) |
| Prepaid and other current assets | (357,951) | (152,539) |
| Deposits and other assets | 178,141 | 35,000 |
| Accounts payable | (626,153) | 394,051 |
| Accrued liabilities | (129,065) | (72,743) |
| Income taxes payable | 1,482,933 | 1,466,113 |
| Advances to affiliates (accrued interest) | (157,972) | - |
| Net cash provided by operating activities | <u>5,354,869</u> | <u>2,973,145</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Advances made to affiliates and related parties | - | (2,725,000) |
| Expenditures for intangible assets | (215,767) | - |
| Purchases of equipment | <u>(44,387)</u> | <u>(384,991)</u> |
| Net cash used for investing activities | <u>(260,154)</u> | <u>(3,109,991)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Series E preferred stock dividends | (960) | - |
| Common stock dividends | (468,950) | - |
| Proceeds from conversion of preferred stock | <u>225</u> | <u>-</u> |
| Net cash used for financing activities | <u>(469,685)</u> | <u>-</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 4,625,030 | (136,846) |
| CASH AND CASH EQUIVALENTS, beginning of period | <u>3,576,529</u> | <u>2,378,848</u> |
| CASH AND CASH EQUIVALENTS, end of period | <u>\$ 8,201,559</u> | <u>\$ 2,242,002</u> |

YP Corp. Contact

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