UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2005

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act

For the transition period from _____________ to _______________

Commission File Number 0-24217

YP 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 St. Suite 105 **Mesa, Arizona** (Address of Principal Executive Offices)	**85205** (Zip Code)

(480) 654-9646
(Registrant's Telephone Number, Including Area Code)

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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of the issuer's common equity outstanding as of February 1, 2006 was 48,106,594 shares of common stock, par value $.001.

INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED DECEMBER 31, 2005

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

YP CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31, 2005 (unaudited)	September 30, 2005
Assets		
Cash and equivalents	$ 9,038,570	$ 8,119,298
Restricted cash	500,000	500,000
Accounts receivable, net	5,653,323	5,338,533
Prepaid expenses and other current assets	627,650	602,103
Deferred tax asset	396,336	381,887
Total current assets	16,215,879	14,941,821
Accounts receivable, long term portion, net	616,358	873,299
Customer acquisition costs, net	3,554,345	2,337,650
Property and equipment, net	311,656	396,862
Deposits and other assets	101,002	62,029
Intangible assets, net	5,836,602	6,108,823
Deferred tax asset, long term	91,820	376,708
Total assets	$ 26,727,662	$ 25,097,192
Liabilities and Stockholders' Equity		
Accounts payable	$ 889,362	$ 655,526
Accrued liabilities	1,403,219	803,268
Income taxes payable	114,059	108,855
Total current liabilities	2,406,640	1,567,649
Total liabilities	2,406,640	1,567,649
Commitments and contingencies	-	-
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, 48,164,594 and 48,837,694 issued and outstanding	48,165	48,838
Treasury stock	(2,261,766)	(2,171,740)
Paid in capital	11,075,081	11,044,400
Deferred stock compensation	(2,831,069)	(3,247,535)
Retained earnings	18,279,745	17,844,714
Total stockholders' equity	24,321,022	23,529,543
Total liabilities and stockholders' equity	$ 26,727,662	$ 25,097,192

See accompanying notes to consolidated financial statements.

YP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months ended December 31,	
	2005	2004
Net revenues	$ 7,626,776	$ 6,190,155
Cost of services	1,116,346	1,134,584
Gross profit	6,510,430	5,055,571
Operating expenses:		
General and administrative expenses	3,758,849	3,320,296
Sales and marketing expenses	1,533,791	1,610,493
Depreciation and amortization	397,004	360,242
Total operating expenses	5,689,644	5,291,031
Operating income (loss)	820,786	(235,460)
Other income (expense):		
Interest expense and other financing costs	-	(4,163)
Interest income	39,636	85,112
Other income (expense)	(188,545)	86,365
Total other income (expense)	(148,909)	167,314
Income (loss) before income taxes and cumulative effect of accounting change	671,877	(68,146)
Income tax benefit (provision)	(236,846)	17,370
Income (loss) before cumulative effect of accounting change	435,031	(50,776)
Cumulative effect of accounting change (net of income taxes of $53,764 in 2004)	-	99,848
Net income	$ 435,031	$ 49,072
Net income (loss) per common share:		
Basic:		
Income (loss) applicable to common stock before cumulative effect of accounting change	$ 0.01	$ (0.00)
Cumulative effect of accounting change	$ -	$ -
Net income applicable to common stock	$ 0.01	$ 0.00
Diluted:		
Income (loss) applicable to common stock before cumulative effect of accounting change	$ 0.01	$ (0.00)
Cumulative effect of accounting change	$ -	$ 0.00
Net income applicable to common stock	$ 0.01	$ 0.00
Weighted average common shares outstanding:		
Basic	44,885,425	46,572,106
Diluted	45,143,006	46,572,106

See accompanying notes to consolidated financial statements.

YP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended December 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 435,031	$ 49,072
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	397,004	360,242
Amortization of deferred stock compensation	446,474	201,164
Issuance of common stock as compensation for services	-	119,500
Cumulative effect of accounting change	-	(99,848)
Deferred income taxes	270,439	(165,301)
Provision for uncollectible accounts	339,446	(156,301)
Changes in assets and liabilities:		
Accounts receivable	(397,295)	2,231,013
Customer acquisition costs	(1,216,695)	976,200
Prepaid and other current assets	(25,547)	(282,410)
Intellectual property	(39,577)	-
Deposits and other assets	(38,973)	(46,799)
Accounts payable	233,836	(515,879)
Accrued liabilities	599,951	(151,150)
Income taxes payable	5,204	147,931
Advances to affiliates (accrued interest)	-	(79,066)
Net cash provided by operating activities	1,009,298	2,588,368
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	-	(8,732)
Net cash used for investing activities	-	(8,732)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Series E preferred stock dividends	-	(481)
Repurchases of common stock	(90,026)	-
Net cash used for financing activities	(90,026)	(481)
INCREASE IN CASH AND CASH EQUIVALENTS	919,272	2,579,155
CASH AND CASH EQUIVALENTS, beginning of period	8,119,298	3,576,529
CASH AND CASH EQUIVALENTS, end of period	$ 9,038,570	$ 6,155,684

See accompanying notes to consolidated financial statements

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of YP Corp., a Nevada Corporation, and its wholly owned subsidiaries (collectively the "Company"). The Company is an Internet-based provider of yellow page directories and advertising space on or through www.YP.com, www.YP.net and www.Yellow-Page.net. No material or information contained on these websites is a part of the notes or the quarterly report to which notes are attached. All material intercompany accounts and transactions have been eliminated.

The accompanying unaudited financial statements as of December 31, 2005 and for the three months ended December 31, 2005 and 2004, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2005 and for the year then ended included in the Company's annual report on Form 10-K for the year ended September 30, 2005.

All amounts, except share and per share amounts, are rounded to the nearest thousand dollars.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates and assumptions have been used by management in conjunction with establishing allowances for customer refunds, non-paying customers, dilution and fees, analyzing the recoverability of the carrying amount of intangible assets, estimating amortization periods for direct response advertising costs, estimating forfeitures of restricted stock and evaluating the recoverability of deferred tax assets. Actual results could differ from these estimates. Certain prior period amounts have been revised to conform to the current period presentation. These changes had no impact on previously reported net income or stockholders' equity.

2. ACCOUNTING CHANGES

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.

Additionally, while both methods of accounting for forfeitures are acceptable under current guidance, the implementation of FAS 123R (effective during the Company's first quarter of fiscal 2006) will no longer permit companies to recognize forfeitures as they occur. See Note 8. As this new guidance will require the Company to change its method of accounting for restricted stock forfeitures, the Company has decided to adopt such change as of the beginning of its fiscal year. The Company did not adopt the provisions of FAS 123R prior to its effective date. Rather, the Company changed its accounting for forfeitures under the allowed options prescribed in FAS 123.

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 three months ended December 31, 2004. 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.

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

3. BALANCE SHEET INFORMATION

Balance sheet information is as follows:

	December 31, 2005		
	Current	Long-Term	Total
Gross accounts receivable	$ 7,136,000	$ 694,000	$ 7,830,000
Allowance for doubtful accounts	(1,483,000)	(78,000)	(1,561,000)
Net	$ 5,653,000	$ 616,000	$ 6,269,000

	September 30, 2005		
	Current	Long-Term	Total
Gross accounts receivable	$ 6,451,000	$ 982,000	$ 7,433,000
Allowance for doubtful accounts	(1,112,000)	(109,000)	(1,221,000)
Net	$ 5,339,000	$ 873,000	$ 6,212,000

Components of allowance for doubtful accounts are as follows:

	December 31, 2005	September 30, 2005
Allowance for dilution and fees on amounts due from billing aggregators	$ 1,103,000	$ 923,000
Allowance for customer refunds	458,000	298,000
Other allowances	-	-
	$ 1,561,000	$ 1,221,000

Customer acquisition costs:	December 31, 2005	September 30, 2005
Customer acquisition costs	5,758,000	3,622,000
Less: Accumulated amortization	(2,203,000)	(1,284,000)
Customer acquisition costs, net	3,555,000	$ 2,338,000

Property and equipment:	December 31, 2005	September 30, 2005
Leasehold improvements	$ 439,000	$ 439,000
Furnishings and fixtures	295,000	295,000
Office and computer equipment	1,040,000	1,040,000
Total	1,774,000	1,774,000
Less: Accumulated depreciation	(1,462,000)	(1,377,000)
Property and equipment, net	$ 312,000	$ 397,000

Intangible assets:	December 31, 2005	September 30, 2005
Domain name	$ 5,510,000	$ 5,510,000
Non-compete agreements	3,465,000	3,465,000
Website development	820,000	781,000
Software licenses	53,000	53,000
Total	9,848,000	9,809,000
Less: Accumulated amortization	(4,011,000)	(3,700,000)
Intangible assets, net	$ 5,837,000	$ 6,109,000

Accrued liabilities:	December 31, 2005	September 30, 2005
Litigation accrual	500,000	328,000

Severance accrual	338,000	-
Deferred revenue	333,000	291,000
Accrued expenses - other	232,000	184,000
Accrued liabilities	$ 1,403,000	$ 803,000

4. COMMITMENTS AND CONTINGENCIES

At December 31, 2005, future minimum annual lease payments under operating lease agreements for fiscal years ended September 30 are as follows:

Fiscal 2006	$	277,000
Fiscal 2007		28,000
Fiscal 2008		8,000
Thereafter		-
Total	$	313,000

Commitments to Investment Banking Firm

On October 8, 2004, pursuant to the terms of a Letter Agreement with Jefferies & Company, Inc., the Company issued a total of 925,000 shares of common stock to Jefferies. These shares were issued in lieu of cash fees for Jefferies' investment banking services. These shares were not issued under the Company's 2003 Stock Plan. Of the total shares issued to Jefferies, 100,000 shares were issued without restrictions on transfer other than those imposed by Rule 144 under the Securities Act of 1933, as amended. The remaining 825,000 shares were granted pursuant to a Restricted Stock Agreement. Accordingly, these shares remain subject to restrictions on transfer and sale, which lapse in accordance with a vesting schedule depending on the achievement of certain performance goals, none of which were achieved as of December 31, 2005.

In accordance with the provisions of EITF Topic D-90, *Grantor Balance Sheet Presentation of Unvested, Forfeitable Equity Instruments Granted to a Nonemployee,* because the Company has a right to receive future services in exchange for unvested, forfeitable equity instruments, the 825,000 shares are treated as unissued for accounting purposes until such time that the performance goals are achieved.

Termination Agreements with Related Parties

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 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.

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

On November 3, 2005, the Company entered into a Separation Agreement with its Chief Executive Officer. Under the terms of the agreement, the Company is required to make 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. The entire amount owed under the agreement has been accrued as of December 31, 2005.

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, results of operations, cash flows or liquidity.

During the third fiscal quarter of 2005, the Company recorded an accrual of $328,000 relating to a legal dispute with a former service provider. Based upon recent developments in this matter, YP Corp has increased the accrual by an additional $172,000 which has been reported in Other Income(Expense). The Company continues to pursue all legal means in defending itself in this matter

5. NET INCOME (LOSS) PER SHARE

Net income (loss) 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 income (loss) per share:

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

	Three Months Ended December 31,	
	2005	**2004**
Income (loss) before cumulative effect of accounting change	$ 435,000	$ (51,000)
Less: preferred stock dividends	-	-
Income (loss) applicable to common stock before cumulative effect of accounting change	435,000	(51,000)
Cumulative effect of accounting change	-	100,000
Net income applicable to common stock	$ 435,000	$ 49,000
Basic weighted average common shares outstanding	44,885,425	46,572,106
Add incremental shares for:		
Unvested restricted stock	223,918	-
Series E convertible preferred stock	33,663	-
Diluted weighted average common shares outstanding	45,143,006	46,572,106
Net income per share:		
Basic:		
Income (loss) applicable to common stock before cumulative effect of accounting change	$ 0.01	$ (0.00)
Cumulative effect of accounting change	$ -	$ -
Net income applicable to common stock	$ 0.01	$ 0.00
Diluted:		
Income (loss) applicable to common stock before cumulative effect of accounting change	$ 0.01	$ (0.00)
Cumulative effect of accounting change	$ -	$ 0.00
Net income applicable to common stock	$ 0.01	$ 0.00

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

	Three Months Ended December 31,	
	2005	**2004**
Warrants to purchase shares of common stock	500,000	500,000
Series E convertible preferred stock	-	128,340
Shares of non-vested restricted stock	2,837,364	2,965,400
	3,337,364	3,593,740

6. RELATED PARTY TRANSACTIONS

The Company's related party transactions occurring during fiscal 2005 and the first quarter of fiscal 2006 consisted exclusively of payments under termination agreements with former executives as described in Note 4.

7. CONCENTRATION OF CREDIT RISK

YP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

The Company maintains cash balances at major nationwide institutions in Arizona and Nevada. Accounts are insured by the Federal Deposit Insurance Corporation up to $100,000. At December 31, 2005, the Company had bank balances exceeding those insured limits by approximately $6,808,000.

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 Local Exchange Carrier ("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 two third-party billing companies. The net receivable due from a single billing services provider at December 31, 2005 was 3,191,000, net of an allowance for doubtful accounts of $715,000. The net receivable from that billing services provider at December 31 2005, represents approximately 51% of the Company's total net accounts receivable at December 31, 2005.

8. RECENT 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 will be effective for fiscal years beginning after June 15, 2005 and allows for several alternative transition methods. In light of this upcoming change, the Company decided to change its method of accounting for forfeitures of restricted stock, under current GAAP rules effective October 1, 2004. See Note 2. The Company has adopted the provisions of SFAS 123R in the first quarter of fiscal 2006 on a prospective basis. This adoption did not have a material effect on its financial condition or results of operations.

9. SUBSEQUENT EVENTS

On January 19, 2006, the Company entered into a Separation Agreement & General Release with Chris Broquist, its Chief Financial Officer, pursuant to which Mr. Broquist and the Company have agreed to terminate their employment relationship effective February 28, 2006. Pursuant to the terms of the Separation Agreement & General Release, among other items, Mr. Broquist will receive a severance package consisting of six months of compensation and health benefits and the continued vesting of his restricted stock and Mr. Broquist has agreed not to compete with the Company or solicit any of the employees of the Company for a period of two years.

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.

* * *

ITEM 2. 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 three months ended December 31, 2005, this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" (hereafter referred to as "MD&A") should be read in conjunction with the Consolidated Financial Statements, including the related notes, appearing in Item 1 of this Quarterly Report, as well as the Company's Annual Report on Form 10-K for the year ended September 30, 2005.

Forward-Looking Statements

This portion of this Annual Report on Form 10-Q, 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) our expectation to continue to expand our telemarketing campaigns in the future; (ii) our expectation that any future changes in billing practices with our remaining LECs will not have a material adverse impact on our net revenues; (iii) our belief that cost of services will continue to be directly correlated to our usage of LEC billing channel; (iv) our belief that sales and marketing expenses will increase if we continue to our strategy of significant mailing and telemarketing activities; and (v) the 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 the section titled "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 MD&A in its entirety.

Business and Company Overview

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.

Our primary product is our Internet Advertising Package™, or IAP. Under this package, advertisers pay 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 also 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.

Customer Counts

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 now only 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.

When this change is applied to the last 5 Quarters our key disclosures would look as follows:

Quarter Ended	Previously Reported Quarter-End Customer Count	Billed Listings at Quarter-End	Average Billed Listings During Quarter	Gross Revenue	Returns and Allowance (% of Gross Revenue)	Net Revenues	Average Monthly Gross Revenue per Average Billed Listing
December 31st, 2005	N/A	95,876	90,809	8,328,583	8.43%	7,626,776	$30.57
September 30th, 2005	92,000	84,879	81,342	6,856,082	11.71%	6,052,936	$28.10
June 30th, 2005	108,000	92,600	83,096	7,419,827	12.17%	6,517,158	$29.76
March 31st, 2005	105,000	76,774	76,633	7,527,086	14.38%	6,444,609	$32.74
December 31st, 2004	95,000	64,616	82,579	7,502,125	17.49%	6,190,155	$30.28

Recent Operating Results

We bill our customers through four primary channels: LEC billing, ACH billing, recurring credit card and direct invoice. During the end of 2004 and throughout 2005, we had been reducing our use of LEC billing channels as the LEC's 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 fiscal 2006, we began acquiring new customers via telemarketing campaigns, which are allowed to be billed via LECs. These telemarketing campaigns have reopened the LEC billing channel as a viable billing channel Additionally, our monthly billing rates are higher for customers acquired via telemarketing campaigns. For these reasons, we expect to continue to expand our telemarketing campaigns in the future. Check mailings remain a component of our marketing efforts and a significant increase in the volume of our mailings have contributed to our recent revenue growth.

The following represents a summary of recent financial results:

	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Net Revenues	$ 7,626,776	$ 6,052,936	$ 6,517,158	$ 6,444,609	$ 6,190,155
Gross margin	6,510,430	4,993,639	5,591,353	5,583,676	5,055,571
Operating expenses	5,689,644	6,295,000	5,269,473	5,199,870	5,291,031
Operating income (loss)	820,786	(1,301,361)	321,880	383,806	(235,460)
Net income (loss) (1)[1]	435,031	(815,727)	(149,784)	298,280	49,072

(1) The following non-recurring items are relevant to our recent quarterly operating results, each of which are further described herein:

- 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 in increase in other expenses associated with an additional accrual of $172,000 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 and an increase in sales and marketing expense of $921,000 associated with a change in the amortization period of our customer acquisition costs, 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).
- First quarter of fiscal 2005 - includes a gain of approximately $100,000 (net of tax effects) associated with the cumulative effect of an accounting change with respect to our restricted stock grants.

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

	Q1 2006	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q1 2005**	**Q4 2004**
LEC billing	35%	32%	23%	26%	49%	64%
ACH billing	54%	54%	64%	56%	42%	32%
Direct billing and other	11%	14%	13%	18%	9%	4%

Recent Developments

On January 19, 2006, we entered into a Separation Agreement with Chris Broquist, our Chief Financial Officer, pursuant to which Mr. Broquist and the Company have agreed to terminate their employment relationship effective February 28, 2006. Pursuant to the terms of the Separation Agreement & General Release, among other items, Mr. Broquist will receive a severance package consisting of six months of compensation and health benefits and the continued vesting of his restricted stock and Mr. Broquist has agreed not to compete with the Company or solicit any of the employees of the Company for a period of two years.

At a meeting of our Board of Directors, held on January 8, 2006, John T. Kurtzweil, R.A. Johnson-Clague, Peter J. Bergmann and Paul Gottlieb each resigned from our Board of Directors and their respective committees 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 our Board of Directors, was elected Chairman of the Board and Mr. Cunningham was appointed to serve as the Chairman of the Audit Committee of our Board of Directors.

On November 3, 2005, we entered into a Separation Agreement with Peter J. Bergmann in connection with his resignation as Chairman and President of our company. Under the terms of this agreement, Mr. Bergmann resigned as Chief Executive Officer during the second quarter of fiscal 2006. Mr. Bergmann will receive a cash payment of $337,500 and will continue to vest in a portion of his stock-based compensation earned during his tenure, in accordance with the terms of this agreement.

Attorneys General Complaints Concerning Direct Marketing Mail Solicitation

We have received a number of notices from the Attorney General offices of the States of Nevada, Nebraska, and Oregon concerning consumer complaints about the use of our direct mail solicitation. In Nebraska, the notice required us to cease and desist the use of our check mail program in that State immediately. The notices generally claim that the promotional check mailer practice engaged in by the Company violates state consumer protection statutes and deceptive trade practices acts.

We believe that the language in the various state statutes referenced is very vague as to what constitutes a deceptive trade practice or misleading practice, such that they are subject to wide-ranging constructions. Moreover, we do not believe that we are in violation of the referenced statutes. To this end, we are maintaining an ongoing dialogue with the various states in an effort to dispel such concerns, explain the non-deceptive nature of our business solicitations, and, if practicable, tailor our marketing practices so as to comply with the various states' interpretation of what conduct would not violate the applicable consumer protection statutes.

Our current cooperative posture, however, does not obviate the possibility of a particular State Attorney General instituting formal action against us in a wider attempt to curb solicitations for business utilizing check promotions. We hope to continue our good faith discussions with these various States Attorney General offices in an effort to formulate a uniform set of standards to be used to determine if any specific check solicitation violates consumer protection laws. However, to the extent future standards are deemed too onerous, we may consider pursuing a legal course of action challenging those standards.

Results of Operations

Net Revenues

	Net Revenues			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ 7,626,776	$ 6,190,155	$ 1,436,621	23%

The increase in revenues for the three months ended December 31, 2005, as compared to December 31, 2004, was largely due to an increased customer count attributable to expanded marketing efforts. As discussed in "Executive Overview - Recent Operating Results" above, we increased our number of monthly check mailers and introduced telemarketing campaigns. Our use of telemarketing campaigns has reopened LEC billing as an effective means of billing new customers. Additionally, our monthly billing rates are higher for customers acquired through telemarketing efforts, which has also contributed to our revenue growth.

Although we have concentrations of risk with our billing aggregators (as described in the Notes to Unaudited Consolidated Financial Statements included elsewhere in this Quarterly Report) these aggregators bill via many underlying LECs. As we no longer have any significant concentrations of customers with any single LEC, we do not expect any future changes in billing practices with our remaining LECs to have a material adverse impact on our net revenues.

The price for our IAP product ranges from $17.95 to $39.95 per month.

Cost of Services

	Cost of Services			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ 1,116,346	$ 1,134,584	$ (18,238)	(2)%

While our cost of services has remained largely consistent in the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005, it has declined as a percentage of net revenues. This decrease is directly attributable to a reduction in our dilution expense as a result of our transition from LEC billing to alternative billing methods during fiscal 2005. Billings through LEC channels, which drives a substantial majority of our dilution expense, was 35% of total billings in the first quarter of fiscal 2006 from 49% of total billings in the first quarter of fiscal 2005. A significant portion of these customers were converted to ACH and direct billing methods, which have minimal dilution. Additionally, we have engaged the services of an additional third-party service provider that has resulted in decreased fees for a portion of our LEC-billed customers.

We have recently begun acquiring new customers serviced through our LEC billing channels. To the extent we increase our use of LEC billing channels, our future cost of services as a percentage of net revenues is likely to increase.

Gross Profit

	Gross Profit			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ 6,510,430	$ 5,055,571	$ 1,454,859	29%

The increase in our gross profits was due primarily to increased revenues as discussed above. Gross margins increased to 85.4% of net revenues in the first quarter of fiscal 2006 compared to 81.7% of net revenues in the first quarter of fiscal 2005 due to decreased dilution in fiscal 2006.

General and Administrative Expenses

	General and Administrative Expenses			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ 3,758,849	$ 3,320,296	$ 438,553	13%

General and administrative expenses increased primarily due to approximately $338,000 of one-time settlement costs associated with the separation agreement with our former Chief Executive Officer that was incurred during the first quarter of fiscal 2006. We also experienced increased costs of approximately $208,000 associated with reconfirmation, mailing, billing and other customer-related expenses and increased non-cash compensation costs of approximately $245,000 associated with restricted stock awards to employees. These increases were offset by decreased cash compensation costs stemming from staffing reductions and other cost containment initiatives that took place during fiscal 2005.

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

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

	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Compensation for employees, consultants, officers and directors	$ 2,423,537	$ 2,215,276	$ 2,115,674	$ 1,869,135	$ 2,201,308
Other G&A costs	$ 817,826	$ 697,436	$ 600,442	$ 608,428	$ 809,396
Reconfirmation, mailing, billing and other customer-related costs	$ 517,486	$ 432,447	$ 535,861	$ 635,624	$ 309,592

Sales and Marketing Expenses

	Sales and Marketing Expenses			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ 1,533,791	$ 1,610,493	$ (76,702)	(5)%

Sales and marketing expense decreased in the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005 due to a decrease in amortization expense and decreased advertising and promotional expenditures. We capitalize certain direct marketing expenses and amortize those costs over a period of time that approximates the estimated life of the customer. In the fourth quarter of fiscal 2005, this amortization period was reduced from 18 months to 12 months. Because the amount of capitalized costs that were subject to amortization was smaller during the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005, we incurred less amortization expense, despite the fact that the amortization period has been reduced.

We have recently expanded our direct mailings and telemarketing efforts, resulting in a recent increase in capitalized customer acquisition costs. To the extent that we continue to expand these efforts, we will experience future increases in sales and marketing expense related to this amortization.

Depreciation and Amortization

	Depreciation and Amortization			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ 397,004	$ 360,242	$ 36,762	10%

The increase in depreciation and amortization expense is attributable to increased amortization of intangible assets associated with website development costs put in place during fiscal 2005 and amortization of a non-compete agreement that was acquired during the third quarter of fiscal 2005. Amortization relating to the capitalization of our direct mail marketing costs is included in marketing expenses, as discussed previously.

Operating Income

	Operating Income (Loss)			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ 820,786	$ (235,460)	$ 1,056,246	(449)%

Our operating income increased substantially due primarily to revenue increases as previously described.

Other Income (Expense)

	Other Income (Expense)			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ (188,545)	$ 86,365	$ (274,910)	(318)%

The change in other income (expense) for the first quarter of fiscal 2006 as compared to fiscal 2005 is due primarily to an increase in a legal accrual related to an ongoing dispute with a former service provider. Based upon recent developments in this matter, we have increased the $328,000 accrual previously recorded in the third quarter of fiscal 2005 by an additional $172,000 in the first quarter of fiscal 2006. We continue to pursue all legal means in defending this matter.

Income Tax Benefit (Provision)

	Income Tax Benefit (Provision)			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ (236,846)	$ 17,370	$ (254,216)	(1464)%

The change in our income tax benefit (provision) for the first quarter of fiscal 2006 as compared to fiscal 2005 is due almost entirely to our increase in profitability. We have not experienced a significant change in our effective tax rates during these periods.

Cumulative Effect of Accounting Change

	Cumulative Effect of Accounting Change			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ -	$ 99,848	$ (99,848)	0%

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) will no longer permit 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.

Net Income (Loss)

	Net Income (Loss)			
	2005	2004	Change	Percent
Three Months Ended December 31,	$ 435,031	$ 49,072	$ 385,959	787%

The substantial increase in net income for the three months ended December 31, 2005 is due primarily to increased revenues, offset by increased income tax expense and the effects of the cumulative effect of accounting change in fiscal 2005, each of which is described above.

Liquidity and Capital Resources

Net cash provided by operating activities decreased $1,579,070, or 61 %, to $1,009,298 for the three months ended December 31, 2005, compared to $2,588,368 for the three months ended December 31, 2004. During the first quarter of fiscal 2005, we generated a significant portion of our operating cash flow from the conversion of many of our customers from LEC billing to alternate billing channels that have a shorter collection time. During the first quarter of fiscal 2006, we did not have a significant amount of such conversions. Additionally, during the first quarter of fiscal 2006, we made substantial investments in direct customer acquisition costs as compared to the first quarter of fiscal 2005, where we had no such investments.

Our primary source of cash inflows is net remittances from our billing channels, including LEC billings and ACH billings. 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. For ACH billings, we generally receive the net proceeds through our billing service processors within 15 days of submission. Additionally, approximately 51% of our accounts receivable are due from a single aggregator.

Our most significant cash outflows include payments for marketing expenses and general operating expenses. Cash outflows for direct response advertising, our primary marketing strategy, typically occur in advance of expense recognition as these costs are capitalized and amortized over 12 months, the average estimated retention period for new customers. General operating cash outflows consist of payroll costs, income taxes, and general and administrative expenses that typically occur within close proximity of expense recognition.

There was no net cash used for investing activities for the first three months of fiscal 2006. During the first three months of fiscal 2005, cash used for investing activities was $8,732 which consisted of purchases of equipment.

Net cash used for financing activities was $90,026 for the first three months of fiscal 2006 and consisted exclusively of acquisitions of our common stock through our stock repurchase program.

We had working capital of $ 13,809,239 as of December 31, 2005, compared to $13,374,172 as of September 30, 2005. Our cash position increased during the past three months to over $9,000,000 at December 31, 2005 from approximately $8,100,000 at the end of fiscal 2005.

We maintain a $1,000,000 credit facility with Merrill Lynch Business Financial Services Inc., The applicable interest rate on borrowings, if any, will be a variable rate of the one-month LIBOR rate (as published in the *Wall Street Journal*), plus 3%. The facility requires an annual line fee of 1% of the committed amount. Outstanding advances are secured by all of our existing and acquired tangible and intangible assets located in the United States. There was no balance outstanding at December 31, 2005. The line has been renewed for an additional one-year period, extending the maturity date to April 30, 2006.

The credit facility requires us to maintain a "Leverage Ratio" (total liabilities to tangible net worth) that does not exceed 1.5-to-1 and a "Fixed Charge Ratio" (earnings before interest, taxes, depreciation, amortization and other non-cash charges minus any internally financed capital expenditures divided by the sum of debt service, rent under capital leases, income taxes and dividends) that is not less that 1.5-to-1 as determined quarterly on a 12-month trailing basis. The credit facility includes additional covenants governing permitted indebtedness, liens, and protection of collateral. As of December 31, 2005, we were in compliance with the covenants and are able to fully draw on the credit facility.

Until April 1, 2005, we were contractually obligated to pay a $0.01 per share dividend each quarter, subject to compliance with applicable laws, to all common stockholders, including those who hold unvested restricted stock. We are no longer required to pay quarterly dividends. Future dividend payments will be evaluated by the Board of Directors based upon earnings, capital requirements and financial position, general economic conditions, alternative uses of capital and other pertinent factors.

During the third quarter of fiscal 2005, our Board of Directors initiated the repurchase of up to $3 million of our common stock from time to time on the open market or in privately negotiated transactions. To date, we have reacquired 775,850 shares at an aggregate cost of $655,635 under the program.

The following table summarizes our contractual obligations at December 31, 2005 and the effect such obligations are expected to have on our future liquidity and cash flows: .

	Payments due by Period				
	Total	**Fiscal 2006**	**Fiscal 2007**	**Fiscal 2008**	**Thereafter**
Contractual Obligations					
Lease commitments	$ 313,000	$ 277,000	$ 28,000	$ 8,000	$ -
Termination agreements	$ 337,500	$ 337,500	$ -	$ -	$ -

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

* * *

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2005, 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 the first three months of fiscal 2006 or in any of 2005) or commodity price risk.

ITEM 4. 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 Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls are also 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 principal executive officer and principal 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 Quarterly 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-Q, 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-Q, 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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 1A. RISK FACTORS

None

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 2005	0	N/A	0	N/A
November 2005	0	N/A	0	N/A
December 2005	174,600	0.52	0	N/A
Total	174,600	0.52	0	$2,344,365[1]

[1] On May 18, 2005, we announced the adoption of a $3 million stock repurchase program. To date, we have purchased 775,850 shares at an aggregate price of $655,635.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are either attached hereto or incorporated herein by reference as indicated:

Exhibit Number	Description
10.1	Separation Agreement, dated November 3, 2005, by and between Peter J. Bergmann and YP Corp.
31	Certifications pursuant to SEC Release No. 33-8238, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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, thereunto duly authorized.

YP.CORP.

Dated: February 14, 2006	*/s/ W. Chris Broquist*
	W. Chris Broquist
	Chief Financial Officer

EXHIBIT INDEX

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SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT between YP Corp., a Nevada corporation (the "**Company**") and Peter J. Bergmann ("**Bergmann**"), is entered into and effective November 3, 2005 (the "Effective Date").

Background

Bergmann and the Company previously entered into an Employment Agreement, dated June 6, 2004 ("**Employment Agreement**") that specifies the terms and conditions of Bergmann's service as Chairman, President and Chief Executive Officer of the Company and Bergmann's compensation and benefits.

Company previously granted or issued Bergmann an aggregate of 1 ,350,000 shares of the Company's common stock, $.001 par value per share ("**Common Stock**"), in consideration of Bergmann's service as an officer and director of the Company (the "**Original Stock**"). 50,000, shares of the Original Stock were granted to Bergmann in 2002 and are fully vested ("**2002 Shares**"); 1,000,000 shares of the Original Stock ("**2004 Shares**'') were granted to Bergmann pursuant to a Restricted Stock Agreement dated as of June 6 , 2004 ("**Restricted Stock Agreement**"); and 100,000 shares of the Original Stock were granted to Bergmann in April 2005 ("**2005 Shares**") and were subject to contractual transfer restrictions similar to the 2004 Shares.

In consideration of the payments and covenants set forth in this Agreement, the Company and Bergmann desire to enter into this Agreement to provide for their mutual separation and settlement.

Agreement

NOW THEREFORE IT IS MUTUALLY AGREED AS FOLLOWS;

1. Resignation and Termination: Waivers.

a. Resignation and Termination. Bergmann has resigned as Chairman and President of the Company and from any and all positions that he may be deemed to have held with any of the Company's subsidiaries. The Employment Agreement has been terminated and superseded by this Agreement and, therefore, is no longer in force or effect. Bergmann will continue to serve as a director until the Company's next annual shareholder's meeting and will also continue to serve as Chief Executive Officer in accordance with and subject to the restrictions and until the date set forth in and Section 5(f).

b. Waiver of Severance. Bergmann waives for himself and any of his affiliates, representatives, creditors or family members any right to severance benefits under the Employment Agreement in connection with the termination of the Employment Agreement and/or resignation of any positions held with the Company or its subsidiaries.

c. Waiver of Reinstatement. Company is under no obligation to reinstate, renegotiate or re-execute the Employment Agreement or the terms thereof or reinstate or employ Bergmann. Bergmann waives any rights to recall or reinstatement of any past or future wages, bonuses, or compensation not specifically provided in this Agreement

2. Separation Payment; Health Insurance Coverage; Assumption of Lease.

a. Payments. In complete and full satisfaction and in lieu of all claims for compensation, benefits, severance or related payments from Company or any and all of its affiliates, subsidiaries, corporate parents, agents, officers, shareholders, employees, attorneys, successors, and assigns (collectively "**Released Parties**"), and as compensation for the covenants and services specified in this Agreement, Company will (i) continue to pay Bergmann the monthly salary he was receiving immediately prior to this Agreement through the last day of the Retention Period (as defined in Section 5(f)) ("**Continuing Payments**") and (ii) pay to Bergmann the equivalent of 18 months of his current salary in one payment of $337,500 (the "**Separation Payment**") on or before January 2, 2006. All applicable withholdings, including taxes, shall be deducted from the Continuing Payments and Separation Payment

b. Health Insurance Coverage. The Company will pay Bergmann's COBRA health payment ("**Insurance Coverage**") for the shorter of (i) 12 months following the Effective Date or (ii) until Bergmann is eligible for health coverage under another employer. Upon being eligible for alternative health care coverage, Bergmann will submit to the Company a written confirmation of his eligibility for health coverage from an alternative employer or source.

c. Satisfaction of All Obligations. The Continuing Payments, Separation Payment and Insurance Coverage, together with payment of his accrued but unused vacation pay and payment of as yet unreimbursed business expenses ("**Total Compensation**"), will comprise the aggregate and final amount owed to Bergmann and all of his affiliates, representatives, creditors and family members. As of the Effective Date, no additional compensation, consideration, payments or benefits (including, without limitation, health or dental benefits, vacation, sick leave, insurance or any related or similar benefits) are or will be owed to Bergmann or any of his affiliates, representatives, creditors or family members. Notwithstanding the foregoing, the Company may at any time during the Payment Period (as defined in Section 5(f) below) request that Bergmann re-execute this Agreement and reaffirm the perpetuity of the Release set forth in Section 4(a) and, furthermore, the Company may condition any unpaid component of the Total Compensation upon Bergmann's compliance with such request, provided the Company is not itself in default or is engaged in any conduct after the date above that gives rise to any claim by Bergmann. Bergmann's failure to comply with a re-execution request will permit the Company to withhold any scheduled component of the Total Compensation without penalty, default or interest until such request is complied with.

3. Forfeiture of Restricted Stock and Termination of Restricted Stock Agreement.

a. Forfeiture and Termination. Bergmann hereby forfeits to the Company, without any additional consideration, compensation or payment, alt shares of Original Stock beneficially owned by Bergmann or any affiliated party ("Forfeited Shares"), except for all of the 2002 Shares, 600,000 shares of the 2004 Shares and all of the 2005 Shares (collectively, the "**Retained Shares**"). The Restricted Stock Agreement and any written Agreement associated with the Retained Shares are hereby terminated and superseded by this Agreement.

b. Continuing Limitation on Transfer. Bergmann agrees not to sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of any Retained Shares (excluding the 2002 Shares) ("**Transfer**") before the date on which the restrictions on the Retained Shares (excluding the 2002 Shares) lapse in accordance with the vesting schedule set forth in Section 3(c) below. Any attempted disposition of the Retained Shares (excluding the 2002 Shares) in violation of the preceding sentence will be null and void, and the Company will not recognize or give effect to such transfer on its books and records or recognize the person or persons to who such proposed transfer has been made as the legal or beneficial owner of the Retained Shares. In the event that a Transfer is approved by the Company, Bergmann must, prior to consummating or affecting a Transfer, first obtain the written agreement of the transferee to be bound by the terms of this Agreement as if such transferee were deemed the original "grantee" of the Retained Shares.

c. Lapse of Restrictions. The restrictions on the Retained Shares (excluding the 2002 Shares) set forth in Section 3(b) will lapse in accordance with the following schedule, subject to and as adjusted for, in the case of closing prices of the Company's common stock, stock splits, reverse stock splits, combinations, rectifications and the like;

Date Restriction Lapses* (earlier to occur of the following)	Percentage of Stock Becomes Unrestricted*
18 Months from the Effective Date	100%
Change of Control (as defined in the Company's 2003 Stock Plan)	100%
Date that Company's common stock as listed on the Over-the-counter Bulletin Board, Nasdaq, the American Stock Exchange, The New York Stock Exchange, or a similar exchange or quotation system ("Exchange") reaches an average closing price of $4 for three consecutive trading days	20%
Date that Company's common stock as listed on an Exchange reaches an average closing price of $5 for three consecutive trading days	40%
Date that Company's common stock as listed on an Exchange reaches an average closing price of $6 for three consecutive trading days	60%
Date that Company's common stock as listed on an Exchange reaches an average closing price of $7 for three consecutive trading days	80%
Date that Company's common stock as listed on an Exchange reaches an average closing price of $8 for three consecutive trading days	100%

*Notwithstanding the provisions above, in the event Bergmann materially breaches the provisions set forth in Section 5(l) the Restricted Shares will no longer be eligible for vesting and Bergmann must return the Restricted Shares to the Company without payment or any amount due for such Restricted Shares.

4. Releases.

a. Bergmann Release. Bergmann agrees to release, discharge, cancel, waive and acquit, for Bergmann and his affiliates, including, without limitation, for Bergmann's marital community, heirs, executors, administrators, and assigns, the Released Parties from any and all rights, claims, demands, causes of action, obligations, damages, penalties, fees, costs, expenses, and liabilities of any nature whatsoever, whether in law or equity, that Bergmann or his affiliates currently have, have had or may hereafter have against the Company or the Released Parties arising out of, or by reason of any cause, matter, or thing whatsoever existing as of the date of execution of this Agreement, WHETHER KNOWN TO THE PARTIES AT THE TIME OF EXECUTION OF THIS AGREEMENT OR NOT, except for any claim that Bergmann may have under the Indemnification Agreement between the parties dated June 6, 2004 ("**Indemnification Agreement**"), which Indemnification Agreement shall survive the termination of this Agreement. THIS FULL RELEASE OF ALL CLAIMS includes, without limitation, any claims, demands, or causes of action arising out of or under, or relating in any manner whatsoever to the Employment Agreement and/or termination thereof or of any asserted employment of Bergmann with the Company, Title VII of the Civil Rights Act of 1964 and the Civil Rights Act of 1991, as amended, the Fair Labor Standards Act, the Family Medical Leave Act, the Arizona Employment Protection Act, Arizona's Wage Payment statute, or any other applicable state or federal statute, or any common law cause of action, including claims for breach of any express or implied contract, wrongful discharge, tort, personal injury, or any claims for attorney's fees or other costs, as well as any claims that related to other agreements or arrangements, whether written or oral, between the Company and Bergmann, except for any claim that Bergmann may have under the Indemnification Agreement, nor caused to be instituted on his behalf or any of his affiliate's behalf, any legal proceeding, including filing any claims or complaint with any government agency alleging any violation of law or public policy against the Company or the Company's affiliates, attorneys or agents premised upon any legal theory or claim whatsoever, including without limitation, contract, tort, wrongful discharge, and breach of contract.

b. The Company Release. The Company and the Released Parties agree to release, discharge, cancel, waive and acquit Bergmann and his affiliates from any and all rights, claims, demands, causes of action, obligations, damages, penalties, fees, costs, expenses, and liabilities of any nature whatsoever, whether in law or equity, that the Company or the Released Parties currently have, have had or may hereafter have against Bergmann and his affiliates arising out of, or by reason of any cause, matter, or thing whatsoever existing as of the date of execution of this Agreement, WHETHER KNOWN TO THE PARTIES AT THE TIME OF EXECUTION OF THIS AGREEMENT OR NOT. THIS FULL RELEASE OF ALL CLAIMS includes, without limitation, attorney's fees, and any claims, demands, or causes of action arising out of, or relating in any manner whatsoever to, the Employment Agreement, as well as any claims that related to other agreements or arrangements, whether written or oral, between the Company and Bergmann, The Company further covenants and agrees that it has not instituted, or caused to be instituted on the Company's behalf, any legal proceeding, including filing any claims or complaint with any government agency alleging any violation of law or public policy against Bergmann and his affiliates premised upon any legal theory or claim whatsoever, including without limitation, contract, tort, wrongful discharge, and breach of contract.

5. Covenants. Bergmann agrees to comply with or satisfy each of the following covenants and obligations (the "**Covenants**").

a. Assumption of Automobile Lease and Home Lease. Bergmann assumes the lease of the BMW X5 currently acquired by the Company for Bergmann and is responsible for all payment and related obligations thereunder. If not already accomplished, Bergmann will also immediately notify the landlord of his current place of residence in writing (a copy of which will be provided to the Company) of his relocation and the Company's intent to terminate the lease.

b. Retention of Personal Effects. Bergmann will retain ownership over and be entitled to keep all of his personal effects, including without limitation, certain artwork and replacement computers.

c. No Re-election. Bergmann will not authorize, cause, or consent to his nomination or his name appearing on any ballot or proxy card of the Company with respect to his election or appointment as a director of the Company.

d. Certification and Signing of Annual Report. Provided that such certifications and Annual Report are complete and accurate, Bergmann will review, sign and provide all required certifications as the Principal Executive Officer to the Company's Annual Report on Form 10-K for the fiscal year ended September 30,2005 expected to be filed with the Securities and Exchange Commission in December 2005 (the "**Annual Report Certification**"). Bergmann will have the opportunity to provide input on the Annual Report and make appropriate inquiries to ensure its completeness and accuracy.

e. Certification and Signing of Amended Annual Reports. Provided that such certifications and amendments are complete and accurate, Bergmann will review, sign and provide all required certifications as the Principal Executive Officer with respect to the amendments to the Company's six Annual Reports on Form 10-KSB for the fiscal years ended September 30, 1999 through September 30, 2004 when prepared (the "**Amendment Certifications**"). Bergmann will have the opportunity to provide input on the amendments and make appropriate inquiries to ensure their completeness and accuracy.

f. Transition. Consultation and Cooperation. From the Effective Date and until the later of the Annual Report Certification or the Amendments Certification (and all associated filings with the Securities and Exchange Commission related thereto), Bergmann will continue to serve as Chief Executive Officer of the Company (the "**Retention Period**"). On the last day of the Retention Period and contemporaneous with the final associated filing with the Securities and Exchange Commission, Bergmann will no longer serve as Chief Executive Officer and will be deemed to have immediately resigned such position. Additionally, on the last day of the Retention Period, Bergmann will deliver to the Company a written resignation letter to mat effect. Notwithstanding (but in no way limiting) the foregoing, during the period from the Effective Date and ending January 2, 2006 ("**Payment Period**"), and without any additional consideration, compensation or payments, Bergmann will use reasonable efforts to comply with all reasonable requests made by Company to facilitate an orderly and successful transition of the duties and services previously fulfilled and provided by Bergmann. During the Payment Period, upon reasonable notice and subject to his prior professional commitments, Bergmann will make himself available telephonically and will cooperate with Company in good faith to meet the objectives of such inquiry or request ("**Consultation Obligation**"), Bergmann will use his reasonable efforts to ensure that any services provided to Company pursuant to this Agreement will be performed in a professional and workmanlike manner, in good faith and without a view toward or with an intention to impair or undermine the purposes of this Agreement. Bergmann acknowledge that, except as provided herein, he no longer has any authority to execute contracts, agreements, documents or instruments, or negotiate on behalf of Company or otherwise to bind Company, unless expressly authorized by Company's Board of Directors. Except as provided herein, for all purposes of this Agreement, between the end of the Retention Period and the end of the Payment Period, Bergmann will be and act as an independent contractor and not as partner, joint venturer, or agent, and will not bind nor attempt to bind the Company to any contract or obligation. As an independent contractor, Bergmann is solely responsible for all taxes, withholdings, and other statutory or contractual obligations of any sort except as provided herein.

g. Confidentiality and Non-Disclosure. Bergmann and Company recognizes and acknowledges that Company's trade secrets, proprietary information and know-how (including, without limitation, any information, materials, records, financial statements or books provided to or created by Bergmann during the term of the Employment Agreement), as they may exist from time to time ("**Confidential Information**"), to which he has had and may continue to have access to and knowledge of, are valuable, special and unique assets of Company's business. Neither Bergmann nor his affiliates will, during or after the term of this Agreement, in whole or in part, disclose such Confidential Information to any party for any reason or purpose whatsoever, nor will he or any of his affiliates make use of any such Confidential Information for their own purposes or for the benefit of any third-party under any circumstances during or after the term of this Agreement, provided that these restrictions will not apply to such Confidential Information which is in the public domain (provided that neither Bergmann nor his affiliates was responsible, directly or indirectly, for such dissemination into the public domain). Bergmann will use his best efforts to cause all persons or entities to which any Confidential Information will be disclosed by either of them hereunder to observe the terms and conditions set forth herein as though each such person or entity was bound hereby.

h. Return of Company Property and Information. Bergmann shall immediately deliver to the Company any Company records, documents, notes, manuals, lists, and other tangible items (whether in original or duplicate form) in Bergmann's possession or control. Bergmann represents and warrants that he has not taken nor retained any Company property.

i. Public or Private Statements. Bergmann and the Company will each refrain from making any public or private statements or comments, disparaging or otherwise, whether orally, in writing, or transmitted electronically (including e-mail or postings on Internet chat boards), concerning or in any way related to the other, its business, its prospects, its services, its current or former officers, directors or consultants, or the Internet or online Yellow Pages industry that may, directly or indirectly, have a material adverse effect upon the other's business, prospects or goodwill or its reputation or that of its employees, officers, or directors.

j. Communication with Certain Parties. Unless specifically authorized, Bergmann will refrain from communicating, either orally, in writing, or via electronic transmission, with any shareholder of Company (individual, institutional, or otherwise) or any parties with which the Company has a contractual or business relationship, including, without limitation, any employee, customer, or shareholder, with respect to matters concerning the Company's business, client base or prospects or about Bergmann's departure and separation from Company; provided, however, that he may, subject to the other provisions of this Agreement, and notice to the Company, communicate with executive officers, directors, employees, customers, vendors, partners and shareholders of the Company as necessary to reasonably and properly satisfy his obligations under this Agreement.

k. Bad Faith Acts. Bergmann and Company will refrain from, directly or indirectly, engaging in any act or omission that is in bad faith and to the material detriment of the other patty or its business, prospects or goodwill.

1. Non-Competition. Neither Bergmann nor any of his affiliates will, directly or indirectly, either individually or hi connection with another entity or any third-party, compete with the Company or participate in the development of a product or the provision of services that reasonably could be deemed to be competitive with any of the Company's products, services, concepts or lines of business, for a period of 18 months from the Effective Date. The Company's business, products, services or lines of business are specifically defined as the creation and production of an online business directory similar to the printed Yellow Pages. This provision will only apply to entities that derive more than 10% of their revenues from competitive business activities. The amount allocated as compensation to this non-compete are of equal value over the life of the non-compete, notwithstanding any prepayments. If however, the Company pays for and obtains an outside valuation expert that opines for different valuations for the non-compete than the parties herein expressly agree to accept those valuations will control,

m. Non-Solicitation

(i) Non-Solicitation of Customers. Neither Bergmann nor any of his affiliates, whether personally or as an agent, employee, consultant, or in any other capacity on behalf of any person or entity, will, for a period of 18 months form the Effective Date, directly or indirectly solicit, do business with, call upon, handle, deliver products or render services to any active or prospective Customer (as defined below) of the Company, for the purpose of soliciting or selling such Customer the same as, similar to, or related products or services that the Company provides, as defined above. For purposes of this paragraph, "Customer" shall mean the corporate customer itself, the representatives of the corporate customer, and any affiliated entity of the corporate customer.

(ii) Non-Solicitation of Employees and Independent Contractors. For a period of 18 months from the Effective Date, neither Bergmann nor any of his affiliates will, either alone or as an agent, employee, partner, representative, affiliate, or in any other capacity on behalf of any person or entity, directly or indirectly, go into business with or hire any Company employee or independent contractor that provided services to the Company or solicit, induce, or recruit any Company employee or independent contractor that provided services to the Company to end its relationship with Company for the purpose of having such Company employee or independent contractor engage in services that are the same as, similar to or related to the services that such Company employee or independent contractor provided for Company.

n. Reasonableness of Restrictions and Provision for Reduction. Bergmann expressly acknowledges and agrees that the time and scope limitations contained above in subparagraphs 1 and m of this Section 5 are entirely reasonable and are properly and necessarily required for the adequate protection of the business and intellectual property of Company. If a court of competent jurisdiction determines that 18 months is unreasonable or unenforceable, then the period will be 12 months. If a court of competent jurisdiction determines that 12 months is unreasonable or unenforceable, then the period will be 9 months. If a court of competent jurisdiction determines that 9 months is unreasonable or unenforceable, then the period will be 6 months.

o. Further Assurances and Cooperation. Bergmann will use his reasonable efforts to cooperate with the Company and with Company's representatives, officers, directors and agents in connection with any steps required to be taken as part of their respective obligations under this Agreement, and will (a) upon request, furnish to Company such further information; (b) execute and deliver to Company such other documents; and (c) do such other acts and things, all as Company may reasonably request for the purpose of carrying out the intent of this Agreement, including, without limitation, the re-execution of this Agreement, to the fullest extent permitted by law and subject to the provisions of this Agreement.

6. Representations and Warranties. Bergmann, acknowledging that the Company is relying upon the truth and accuracy of such representations and warranties, represents and warrants to the Company as follows:

a. Review of Agreement. He has been given the opportunity and has in feet read this entire Agreement, it is in plain language, and he has had all questions regarding its meaning answered to his satisfaction.

b. Independent Advice. He has been given the full opportunity to obtain the independent advice and counsel from an attorney of his own choosing and has in fact done so.

c. Understanding of Terms. He fully understands the terms, contents and effects of this Agreement.

d. Voluntary Act. He is entering into this Agreement knowingly and voluntarily in exchange for the consideration in this Agreement and mat no other representations have been made to him to induce or influence his execution of this Agreement.

7. Termination. Upon the material breach of this Agreement, including, without limitation, the Consulting Obligation or a Covenant by Bergmann or upon the material breach of any representation or warranty, and in each case (other than a breach of a representation or warranty) after written notice by the non-breaching party and a 30-day opportunity to cure (5-day Opportunity to cure in the case of payment to Bergmann hereunder), the other may proceed to arbitration under Section 8 below.

8. Arbitration. The parties agree to arbitrate any and all disputes of any kind or nature (whether in contract, tort or otherwise, or relating to any statute or other law and whether involving direct, consequential, punitive, statutory or other damages of any kind) under, in relation to, or in connection with this Agreement or any actions or omissions by any party under, in relation to or in connection with the transition relationship contemplated by this Agreement. It is me express intent of this provision that every aspect of the parties' dispute or controversy be subject to final and binding arbitration. Arbitration shall take place in Los Angeles, CA and shall be conducted under the commercial arbitration rules (or other similar and applicable rules) of the American Arbitration Association. The parties shall act in good faith to select a single arbitrator or three arbitrators if any party so chooses (with each party selecting one arbitrator who will jointly select the third); provided, that if the parties do not agree on an arbitrator(s), then the American Arbitration Association shall select the arbitrators). The decision of the arbitrator shall be final and binding, and not subject to appeal for any reason. The parties agree that the arbitrator shall award attorneys fees, costs, and ail costs and fees of the American Arbitration Association to the prevailing party in the arbitration. The arbitration award or other orders can be confirmed and/or enforced through the Los Angeles County Superior Court. The arbitrator's fees and any administrative fees shall be divided equally between the parties. This provision does not affect the Company's ability to seek injunctive relief with the appropriate state or federal court in order to prevent any threatened or actual breach of the Covenants by Bergmann.

9. Governing Law. The interpretation, performance and enforcement of this Agreement will be governed by the internal laws of the State of Arizona without giving effect to any choice of law or rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Arizona to the rights and duties of the parties.

10. Severability. If any provision of this Agreement or the application thereof is held to be invalid, void or unenforceable for any reason, the remaining provisions not so declared will be construed so as to comply with the law, and will nevertheless continue in full force and effect without being impaired in any manner whatsoever.

11. Headings. The headings in this Agreement are for reference only and will not affect the interpretation of this Agreement

12. Notices. All notices, demands, or other communications that are required or are permitted to be given under this Agreement must be in writing and are sufficient upon personal delivery, facsimile, or on the third business day following due deposit in the United States Mail, postage prepaid, and sent certified mail, return receipt requested, correctly addressed to the addresses of the parties as follows:

If to Bergmann:

Peter J. Bergmann
578 Washington Blvd.
Suite 214
Marina Del Ray, CA 90292
phone: (310) 578-2040
fax: (310) 388-4617
e-mail: tvprodll@att.net

If to Company:

YPCorp.
4840 East Jasmine Street, Suite 105
Mesa, Arizona 85205-3321
Fax: (480) 860-0800
Attn: President

13. Attorney's Fees. In the event of any litigation or any other legal proceeding, including arbitration, relating to this Agreement, including without limitation, any action to interpret or enforce this Agreement, the prevailing party will be entitled to reasonable attorneys' fees and costs of suit or arbitration.

14. Intent to be Binding. This Agreement may be executed in any number of counterparts and by facsimile, and each counterpart and/or facsimile constitutes an original instrument, but all such separate counterparts and/or facsimiles constitute one and the same agreement. Neither party to this Agreement will seek to have any term, provision, covenant, or restriction of this Agreement to be held invalid. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of Company, any person or entity which purchases substantially all of the assets of Company or with whom Company merges, and any subsidiary, affiliate, corporation, or operating division of the previously described entities.

15. Entire Agreement. This Agreement supersedes all prior agreements, whether written or oral, between the parties with respect to its subject matter (including, without limitation, the Employment Agreement and the Restricted Stock Agreement, any letter of intent, heads of agreement, conceptual agreement, or e-mail communication), except for the Indemnification Agreement which shall remain in fill force and effect, and constitutes a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by the patty to be charged with the amendment

16. Injunctive Relief Damages and Forfeiture. Due to the nature of Bergmann's prior position with the Company, and with full realization mat a violation of the Covenants set forth in Section 5 of this Agreement will cause the Company immediate and irreparable injury and damage, which is not readily measurable and to protect the Company's interests, Bergmann understands and agrees that, in addition to instituting legal proceedings to recover damages resulting from a breach of this Agreement, the Company may seek to enforce Section 5 of this Agreement with an action for injunctive relief to cease or prevent any actual or threatened violation of this Agreement by Bergmann.

17. No Admission Clause. Neither the consideration furnished pursuant to this Agreement, nor this Agreement is an admission of any violation of rights, or termination or breach of the Employment Agreement by the Company or any affiliate or agent of the Company. The Company denies any violation of rights Or termination or breach of the Employment Agreement and denies any liability to Bergmann.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, The Parties signed this Agreement as of the Effective Date.

CAUTION! THIS IS A RELEASE! READ BEFORE SIGNING!

YP CORP., a Nevada corporation

/s/ W. Chris Broquist

By: W. Chris Broquist

Its: CFO

/s/ W. Chris Broquist

W. Chris Broquist

Re-Execution:

By signing below, 1 reaffirm the terms and conditions of this Separation Agreement and specifically acknowledge the release of claims set forth in Section 4(a).

Re-Execution Date: 3 Nov. 2005 /s/ Peter J. Bergmann

Peter J. Bergmann

[SIGNATURE PAGE TO SEPARATION AGREEMENT)

Exhibit 31

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Daniel L. Coury,Sr,, Chairman and acting Chief Executive Officer of YP Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: February 14, 2006

/s/ Daniel L. Coury Sr

Daniel L. Coury,Sr

Chairman, and acting Chief Executive Officer

CERTIFICATIONS PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, W. Chris Broquist, Chief Financial Officer of YP Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: February 14, 2006

/s/ W. Chris Broquist
W. Chris Broquist
Chief 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 Chairman and acting 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 Quarterly Report of YP Corp. on Form 10-Q for the quarter ended December 31, 2005 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 Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of YP Corp.

Date: February 14, 2006

/s/ Daniel L. Coury,Sr
Daniel L. Coury,Sr
Chairman and acting Chief Executive Officer

I, W. Chris Broquist, 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 Quarterly Report of YP Corp. on Form 10-Q for the quarter ended December 31, 2005 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 Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of YP Corp.

Date: February 14, 2006

/s/ W. Chris Broquist
W. Chris Broquist
Chief Financial Officer