

CADENCE DESIGN SYSTEMS INC

Form DEF 14A

March 27, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(RULE 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant To Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

CADENCE DESIGN SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(3) Filing Party:

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**CADENCE DESIGN SYSTEMS, INC.
2655 SEELY AVENUE
SAN JOSE, CALIFORNIA 95134**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 13, 2009**

TO THE STOCKHOLDERS OF CADENCE DESIGN SYSTEMS, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of CADENCE DESIGN SYSTEMS, INC., a Delaware corporation, will be held on May 13, 2009, at 1:00 p.m. Pacific time, at Cadence's offices located at 2655 Seely Avenue, Building 10, San Jose, California 95134 for the following purposes:

1. To elect directors to serve until the 2010 Annual Meeting of Stockholders and until their successors are elected and qualified.
2. To approve an amendment to the Cadence Amended and Restated Employee Stock Purchase Plan to increase the number of shares of common stock reserved for issuance thereunder.
3. To ratify the selection of KPMG LLP as the independent registered public accounting firm of Cadence for its fiscal year ending January 2, 2010.
4. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

These items of business are more fully described in the proxy statement accompanying this notice.

Cadence's Board of Directors has fixed the close of business on March 17, 2009 as the record date for the determination of stockholders entitled to notice of, and to vote at, this Annual Meeting of Stockholders and at any adjournment or postponement thereof.

By Order of the Board of Directors

James J. Cowie
Secretary

San Jose, California
March 27, 2009

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE CAST YOUR VOTE VIA THE INTERNET OR BY TELEPHONE AS INSTRUCTED IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY

MATERIALS AS PROMPTLY AS POSSIBLE. IF YOU CHOSE TO RECEIVE PAPER COPIES OF YOUR PROXY MATERIALS, INCLUDING THE PROXY CARD, PLEASE COMPLETE, DATE, SIGN AND RETURN THE PROXY CARD IN THE RETURN ENVELOPE PROVIDED (WHICH HAS PREPAID POSTAGE IF MAILED IN THE UNITED STATES) AS PROMPTLY AS POSSIBLE TO ENSURE YOUR REPRESENTATION AT THE MEETING. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL VOTE IN PERSON AT THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM THE RECORD HOLDER.

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**CADENCE DESIGN SYSTEMS, INC.
2655 SEELY AVENUE
SAN JOSE, CALIFORNIA 95134**

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
MAY 13, 2009**

INFORMATION CONCERNING SOLICITATION AND VOTING

GENERAL

The enclosed proxy is solicited on behalf of the Board of Directors of Cadence Design Systems, Inc., a Delaware corporation, which is referred to in this proxy statement as Cadence, for use at its Annual Meeting of Stockholders to be held on May 13, 2009, at 1:00 p.m. Pacific time, or at any adjournment or postponement thereof, for the purposes set forth in this proxy statement and in the accompanying notice of annual meeting. The annual meeting will be held at Cadence's offices located at 2655 Seely Avenue, Building 10, San Jose, California 95134. Cadence intends to make available this proxy statement on the Internet at http://www.cadence.com/company/investor_relations/index.aspx on or about March 27, 2009 to all stockholders entitled to vote at the annual meeting.

INTERNET AVAILABILITY OF PROXY MATERIALS

Pursuant to the rules adopted by the U.S. Securities and Exchange Commission, which is referred to in this proxy statement as the SEC, Cadence is furnishing proxy materials to its stockholders primarily via the Internet, rather than mailing paper copies of these materials to each stockholder. We believe that this process expedites stockholders receipt of the proxy materials, lowers the costs of our annual meeting and helps conserve natural resources. On or about March 27, 2009, we will mail to each stockholder (other than those who previously requested electronic or paper delivery) a Notice of Internet Availability of Proxy Materials containing instructions on how to access and review the proxy materials, including our proxy statement and annual report, on the Internet and how to access a proxy card to vote on the Internet or by telephone. The Notice of Internet Availability of Proxy Materials also contains instructions on how to request a paper copy of the proxy materials. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a paper copy of the proxy materials unless you request one. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a paper copy of the proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials. We may choose to mail a paper copy of the proxy materials, including our proxy statement and annual report, to one or more stockholders.

An audio webcast of the annual meeting will also be available on the investor relations page of Cadence's website at www.cadence.com. The webcast will allow investors to listen to the proceedings of the annual meeting, but stockholders accessing the annual meeting using the Internet will not be considered present at the annual meeting by virtue of this access and will not be able to vote on matters presented at the annual meeting or ask any questions of

Cadence's directors, management or independent registered public accounting firm. For a description of how to vote on matters presented at the annual meeting, see "Voting" below. The webcast will begin promptly at 1:00 p.m. Pacific time on the day of the annual meeting and may be accessed on Cadence's website for thirty (30) days thereafter.

VOTING RIGHTS AND OUTSTANDING SHARES

Only holders of record of Cadence's outstanding common stock, \$0.01 par value per share, at the close of business on March 17, 2009, which is referred to in this proxy statement as the record date, will be entitled to notice of and to vote at the annual meeting. At the close of business on the record date, Cadence had 263,488,918 shares of common stock outstanding and entitled to vote. Each holder of record of common stock outstanding on the record date will be entitled to one vote for each share held on all matters to be voted on at the annual meeting.

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QUORUM; ABSTENTIONS; BROKER NON-VOTES

The presence in person or by proxy of a majority of the shares of Cadence common stock outstanding and entitled to vote on the record date is required for a quorum at the annual meeting. Both abstentions and broker non-votes are counted as present for purposes of determining the presence of a quorum, but broker non-votes will not be counted towards the tabulation of votes cast on proposals presented to stockholders.

Broker non-votes include shares for which a bank, broker or other nominee holder (i.e., record holder) has not received voting instructions from the beneficial owner and for which the record holder does not have discretionary power to vote on a particular matter. Under the rules that govern brokers who are record holders of shares that are held in brokerage accounts for the beneficial owners of the shares, brokers who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on routine matters but have no discretion to vote such uninstructed shares on non-routine matters. The proposals to be voted on at this year's annual meeting include both routine matters such as the proposal regarding the election of directors and the ratification of Cadence's independent registered public accounting firm, and a non-routine matter such as the proposal regarding Cadence's Amended and Restated Employee Stock Purchase Plan.

VOTE REQUIRED

The election of directors at the annual meeting requires that each director receive a majority of the votes cast with respect to that director at the annual meeting (number of shares voted for a director must exceed the number of votes cast against that director), provided that in a contested election, the directors shall be elected by the affirmative vote of a plurality of the votes cast at the annual meeting.

All other items to be voted on at the annual meeting require the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting.

BNY Mellon Shareowner Services has been appointed as the inspector of elections for this year's annual meeting. All votes will be tabulated by a representative of BNY Mellon Shareowner Services. This representative will also separately tabulate affirmative and negative votes, abstentions and broker non-votes.

VOTING

Stockholders of record have three options for submitting their vote prior to the annual meeting: (i) vote via the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials, (ii) vote via telephone by following the instructions provided in the Notice of Internet Availability of Proxy Materials, or (iii) vote via mail by completing, signing, dating and mailing a paper proxy card in a pre-addressed envelope, which you can request as outlined in the Notice of Internet Availability of Proxy Materials.

If a stockholder attends the annual meeting, he or she may also submit his or her vote in person, and any votes that were previously submitted whether via the Internet, by telephone or by mail will be superseded by the vote that is cast at the annual meeting. Whether the proxy is submitted via the Internet, by telephone or by mail, if it is properly completed and submitted and if it is not revoked prior to the annual meeting, the shares will be voted at the annual meeting in the manner set forth in this proxy statement or as otherwise specified by the stockholder.

REVOCABILITY OF PROXIES

Whether the proxy is submitted via the Internet, by telephone or by mail, any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. A proxy may be revoked by providing a written

notice of revocation or a duly executed proxy bearing a later date to Cadence's Corporate Secretary at Cadence's corporate offices located at 2655 Seely Avenue, Building 5, San Jose, California 95134, or it may be revoked by attending the meeting and voting in person. Attendance at the annual meeting will not, by itself, be sufficient to revoke a proxy. Accessing the webcast of the annual meeting will not, by itself, constitute attendance at the annual meeting and will not enable a stockholder to revoke his, her or its proxy using the Internet.

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SOLICITATION

Cadence will bear the entire cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders in connection with the matters to be voted on at the annual meeting. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of Cadence common stock beneficially owned by others for forwarding to the beneficial owners. Cadence will reimburse persons representing beneficial owners of its common stock for their costs of forwarding solicitation materials to the beneficial owners. The solicitation of proxies through this proxy statement may be supplemented by telephone, facsimile, use of the Internet or personal solicitation by directors, officers or other employees of Cadence and by Georgeson Inc., which is referred to in this proxy statement as Georgeson. Cadence has retained Georgeson to solicit proxies and to separately prepare a stockholder vote analysis of certain proposals for an aggregate fee of approximately \$10,000, plus reasonable expenses. No additional compensation will be paid to directors, officers or other employees of Cadence or any of its subsidiaries for their services in soliciting proxies.

HOUSEHOLDING INFORMATION

The SEC has adopted rules that allow companies and intermediaries, such as brokers, to deliver a single copy of certain proxy materials to certain stockholders who share the same address, a practice referred to as householding. Some banks, brokers and other nominees will be householding Cadence's Notice of Internet Availability of Proxy Materials and proxy materials for stockholders who do not participate in electronic delivery of proxy materials, unless contrary instructions are received from the affected stockholders. Once you have received notice from your broker or other nominee holder of your Cadence common stock that the broker or other nominee holder will be householding the Notice of Internet Availability of Proxy Materials or proxy materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice of Internet Availability of Proxy Materials and proxy materials, or if you are receiving multiple copies of the Notice of Internet Availability of Proxy Materials and proxy materials and wish to receive only one copy, please notify your broker or other nominee holder of your Cadence common stock. You may also request additional copies of Cadence's Notice of Internet Availability of Proxy Materials and proxy materials by writing to Cadence's Corporate Secretary at Cadence's corporate offices located at 2655 Seely Avenue, Building 5, San Jose, California 95134, or by calling Cadence's Investor Relations Group at (408) 944-7100 or e-mailing the Investor Relations Group at investor_relations@cadence.com. Please note, however, that if you wish to receive a paper copy of the proxy or other proxy materials for purposes of this year's annual meeting, you should follow the instructions provided in the Notice of Internet Availability of Proxy Materials. Copies of Cadence's SEC filings and certain other submissions are made available free of charge on the investor relations page of Cadence's website at www.cadence.com as soon as practicable after Cadence electronically files or furnishes these documents with the SEC. Information on Cadence's website is not incorporated by reference in this proxy statement unless expressly noted.

CORPORATE GOVERNANCE

Cadence common stock is listed on the NASDAQ Global Select Market, which is referred to in this proxy statement as NASDAQ.

Cadence and its Board of Directors, which is referred to in this proxy statement as the Board, regularly review and evaluate Cadence's corporate governance practices. Cadence's corporate governance documents are posted on the investor relations page of its website at www.cadence.com. Paper copies of these documents are also available to stockholders upon written request directed to Cadence's Corporate Secretary at Cadence's corporate offices located at 2655 Seely Avenue, Building 5, San Jose, California 95134.

CORPORATE GOVERNANCE GUIDELINES

The Board has adopted Corporate Governance Guidelines of the Board of Directors, which are referred to in this proxy statement as the Corporate Governance Guidelines. The Corporate Governance Guidelines cover various topics relating to the Board and its activities including, but not limited to, the selection and composition of the Board, Board leadership, compensation of directors, responsibilities of directors, Board access to senior

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management and outside advisors, meeting procedures and committee matters. The Corporate Governance and Nominating Committee of the Board periodically reviews the Corporate Governance Guidelines, which may be amended by the Board at any time.

CODE OF BUSINESS CONDUCT

Cadence has adopted a Code of Business Conduct to provide standards for ethical conduct in dealing with customers, suppliers, agents, political entities and others. The Code of Business Conduct applies to all Cadence directors, officers and employees (and those of its subsidiaries), including Cadence's President and Chief Executive Officer, who is referred to in this proxy statement as the CEO, and Cadence's Chief Financial Officer, who is referred to in this proxy statement as the CFO. Compliance with the Code of Business Conduct is a condition of continued service to or employment with Cadence. The Code of Business Conduct covers topics including, but not limited to, integrity and confidentiality of assets and information, conflicts of interest, compliance with federal and state securities laws, employment practices, payment practices, compliance with competition laws and regulations and compliance with other laws.

Except as provided by applicable law, each person subject to the Code of Business Conduct has the responsibility to report any possible misconduct, including unethical business practices, violations of the Code of Business Conduct and apparent or suspected illegal activities, in the following manner:

Employees must report to the Office of the General Counsel or, in the event the report concerns a Cadence executive officer, to the General Counsel or the chair of the Corporate Governance and Nominating Committee (employees may report possible misconduct on an anonymous basis);

Executive officers must report to the General Counsel or, if the report concerns the General Counsel, to the chair of the Corporate Governance and Nominating Committee; and

Directors must report to the chair of the Corporate Governance and Nominating Committee or, if the report concerns the chair of that committee, to another member of the committee.

Any waiver of a provision of the Code of Business Conduct with respect to a director or an executive officer may only be made by the Board or the Corporate Governance and Nominating Committee. Any waivers for other employees may be granted only by the CEO or the General Counsel, or their respective designees. To the extent required under applicable SEC rules, Cadence will disclose material amendments to the Code of Business Conduct and any waiver of its provisions with respect to any director or executive officer by filing a Current Report on Form 8-K with the SEC or posting such information on its website at www.cadence.com.

STOCK OWNERSHIP GUIDELINES

The Board has adopted Stock Ownership Guidelines to align the interests of its directors and executive officers with the interests of stockholders and to further promote Cadence's commitment to sound corporate governance. Cadence does not require that directors or executive officers own a specific number of shares because it expects that directors and executive officers will act in Cadence's best interests regardless of the number of shares they own. However, the Board has established share ownership guidelines for its members and Cadence's executive officers. Each member of the Board is encouraged to hold at least 5,000 shares of Cadence common stock within the first two years of his or her election to the Board, and Cadence's executive officers are encouraged to hold at least the following number of shares of Cadence common stock no later than five years after the date of his or her designation to the following offices: CEO 100,000 shares; CFO 50,000 shares; and Senior Vice Presidents 25,000 shares. All directors and executive officers met the Stock Ownership Guidelines as of the record date.

CADENCE'S BOARD OF DIRECTORS

DIRECTOR INDEPENDENCE

Cadence's Corporate Governance Guidelines require that at least a majority of the Board be independent directors within the meaning of the listing standards of NASDAQ. To be independent a director must not have a

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relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment in carrying out the responsibilities of a Cadence director. In making these determinations, the Board considers all relevant facts and circumstances and applies the following standards:

A director who is employed by Cadence or any of its subsidiaries, or whose family member is employed as an executive officer of Cadence or any of its subsidiaries, is not independent until three years after the end of the employment relationship;

A director who accepts, or whose family member accepts, more than \$120,000 in compensation from Cadence or any of its subsidiaries, other than compensation for Board or Board committee service, compensation paid to a family member who is a non-executive employee of Cadence or any of its subsidiaries and benefits under a tax-qualified retirement plan or non-discretionary compensation, during any period of twelve consecutive months is not independent until three years after his or her receipt of such payments;

A director who is, or whose family member is, a current partner or employee of Cadence's independent registered public accounting firm is not independent;

A director who was, or whose family member was, a partner or employee of Cadence's independent registered public accounting firm who worked on Cadence's audit during that time is not independent until three years after the end of the employment relationship;

A director who is, or whose family member is, employed as an executive officer of another entity for which at any time during the past three years any of Cadence's executive officers served on the compensation committee of such entity is not independent; and

A director who is, or whose family member is, a partner in, or a controlling stockholder or executive officer of, any organization to which Cadence made, or from which Cadence received, payments for property or services in the current fiscal year or any of the past three fiscal years that exceed in such year the greater of 5% of the recipient's consolidated gross revenues or \$200,000, other than payments arising solely from investments in Cadence securities or payments under non-discretionary charitable contribution matching programs, is not independent until three years after such payments are made or received.

The Board has determined that Dr. Shoven and Messrs. Lucas, Scalise, Siboni and Swainson, who constitute a majority of the Board, are independent directors within the meaning of the listing standards of NASDAQ.

BOARD MEETINGS

During the fiscal year ended January 3, 2009, the Board held eleven (11) meetings, in addition to taking actions by unanimous written consent in lieu of a meeting. Each Board member attended more than 75% of the meetings of the Board and of the committees on which he served that were held during the period for which he was a director or committee member during fiscal 2008. Cadence's Corporate Governance Guidelines encourage directors to attend the annual meeting of stockholders. All of Cadence's then current directors attended the 2008 Annual Meeting of Stockholders.

Under Cadence's Corporate Governance Guidelines, Cadence's independent directors meet separately at least twice annually. Pursuant to Cadence's Corporate Governance Guidelines, Dr. Shoven, as the Chairman of the Board and an independent director, presides over meetings of the independent directors.

CONTACTING THE BOARD OF DIRECTORS

Stockholders interested in communicating directly with the Board may do so by sending a letter to the Board, or to any individual director, group of directors or committee of the Board, c/o the Office of the Corporate Secretary, Cadence Design Systems, Inc., 2655 Seely Avenue, Building 5, San Jose, California 95134. Inquiries and other communications may be submitted anonymously and confidentially. The Office of the Corporate Secretary will review the correspondence and will transmit such communications as soon as practicable to the identified director addressee(s), unless there are legal or other considerations that mitigate against further transmission of the communication, as determined by the Corporate Secretary. In that regard, certain items that are unrelated to the

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duties and responsibilities of the Board will not be forwarded by the Corporate Secretary, such as business solicitations or advertisements, junk mail and mass mailings, new product suggestions, product complaints, product inquiries, resumes and other forms of job inquiries, spam and surveys. In addition, material that the Corporate Secretary determines is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that the Board or individual directors so addressed shall be advised of any communication withheld for legal or other considerations as soon as practicable.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board currently has the following committees:

Audit Committee;

Compensation Committee;

Corporate Governance and Nominating Committee;

Finance Committee; and

Technology Committee.

Each of the above committees has a written charter approved by the Board. The charters of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are posted on the investor relations page of Cadence's website at www.cadence.com. The members and chairs of the current committees are identified in the following table.

Director	Audit	Compensation	Corporate Governance and Nominating	Finance	Technology
Donald L. Lucas	ü	ü	Chair	Chair	
Dr. Alberto Sangiovanni-Vincentelli					Chair
George M. Scalise		ü	ü		ü
Dr. John B. Shoven	ü	Chair	ü	ü	
Roger S. Siboni	Chair		ü	ü	
John A.C. Swainson			ü		
Lip-Bu Tan				ü	ü

Audit Committee

The Board has determined that all members of the Audit Committee are independent as defined by the NASDAQ listing standards and Rule 10A-3 of the Securities Exchange Act of 1934, as amended, which is referred to in this proxy statement as the Exchange Act. The Board has also determined that each of the members of the Audit Committee is an audit committee financial expert as defined in rules promulgated by the SEC. In addition, the Board has determined that each Audit Committee member is able to read and understand fundamental financial statements and, other than strictly in his capacity as a member of the Board or a committee of the Board, has not participated in preparing Cadence's financial statements in any of the past three years.

The Audit Committee charter was most recently amended in February 2009 and complies with the NASDAQ listing standards. The duties and responsibilities of the Audit Committee include:

Appointing, retaining, compensating, evaluating, overseeing and terminating Cadence's independent registered public accounting firm and annually evaluating the qualifications, performance and independence of the independent registered public accounting firm, including an evaluation of the lead partner of the independent registered public accounting firm;

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Pre-approving all audit and permissible non-audit services to be provided by the independent registered public accounting firm and establishing policies and procedures for such pre-approval;

Reviewing and discussing with the independent registered public accounting firm their report regarding all relationships or services between Cadence and the independent registered public accounting firm and any other relationship or services that may impact the objectivity and independence of the independent registered public accounting firm;

Reviewing with the independent registered public accounting firm their audit procedures, including the scope and timing of the audit, the results of the annual audit and any audit problems or difficulties and management's response to any such problems or difficulties;

Meeting to review with management and the independent registered public accounting firm Cadence's annual and quarterly financial statements, reports and specific disclosures, and recommending to the Board whether the financial statements should be included in Cadence's Annual Report on Form 10-K;

Reviewing and discussing the adequacy and effectiveness of Cadence's internal controls and disclosure controls and procedures; and

Establishing and overseeing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a system for the confidential anonymous submission of accounting or auditing concerns by Cadence employees.

The Audit Committee held fifteen (15) meetings during fiscal 2008. See Report of the Audit Committee below for more information.

Compensation Committee

The Compensation Committee of the Board is comprised of three non-employee directors of Cadence, each of whom the Board has determined to be independent as defined by the listing standards of NASDAQ. In addition, all Compensation Committee members are outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (which is referred to in this proxy statement as the Code), to allow Cadence a tax deduction for certain employee compensation exceeding \$1,000,000 for an individual. All Compensation Committee members are also outside directors within the meaning of Rule 16b-3 of the Exchange Act to allow Cadence to exempt certain option grants and similar transactions from the short-swing profits prohibition of Section 16 of the Exchange Act. The Compensation Committee acts on behalf of the Board, as provided in its charter, to identify, review and approve corporate goals and objectives relevant to the compensation of Cadence's CEO and any director who is also a Cadence employee, evaluate the performance of the CEO and any director who is also a Cadence employee in light of those goals and objectives, and determine and approve the CEO's and other executive officers' compensation. Although the Compensation Committee may delegate its authority to management when it deems it to be appropriate and in the best interests of Cadence, the Compensation Committee did not delegate any authority with respect to the consideration and determination of executive officer and director compensation in fiscal 2008 and does not currently expect to delegate any such authority in the future. At or near the beginning of each fiscal year, the Compensation Committee typically establishes base salary levels and target bonuses for the CEO and other executive officers of Cadence. In addition, the Compensation Committee administers and, if deemed necessary, may amend the Senior Executive Bonus Plan, which is referred to in this proxy statement as the Bonus Plan, Cadence's equity-based compensation plans and stock purchase plans, and Cadence's deferred compensation plans. The Compensation Committee also reviews and recommends to the Board the compensation of Cadence's directors.

The Compensation Committee charter was most recently amended in February 2009. The duties and responsibilities of the Compensation Committee include:

Identifying, reviewing and approving corporate goals and objectives relevant to the compensation of Cadence's CEO and any director who is also a Cadence employee, evaluating the performance of the CEO and any employee director in light of those goals and objectives and determining and approving, either as a

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committee or together with the independent directors of the Board, the compensation of the CEO and any employee director based on such evaluation;

Overseeing the evaluation of the executive officers of Cadence;

Reviewing periodically Cadence's management succession planning in consultation with the CEO and reporting to the Board, at least annually, on CEO succession planning;

Reviewing compensation programs and determining the compensation of Cadence's executive officers;

Reviewing and discussing with management Cadence's Compensation Discussion and Analysis and related disclosures that are required be included in Cadence's annual report and proxy statement, recommending to the Board, based on the review and discussions, whether the Compensation Discussion and Analysis should be included in the annual report and the proxy statement, and preparing the compensation committee report that SEC rules require to be included in the annual report and the proxy statement; and

Reviewing and, in certain cases, amending and administering Cadence's general compensation plans including:

Equity incentive and stock purchase plans;

Benefit programs; and

Bonus plans.

In fiscal 2008, the Compensation Committee retained the services of an independent compensation consultant, Semler Brossy Consulting Group, LLC, or Semler Brossy, for advice regarding the compensation of Cadence's executive officers. The Compensation Committee believes that having an independent evaluation of executive officer salary, bonus and equity compensation is a valuable tool for the Compensation Committee and Cadence's stockholders. Semler Brossy is not engaged to perform any other work for Cadence.

The Compensation Committee retained Semler Brossy for a number of purposes, including:

Constructing and reviewing peer groups for compensation comparison purposes;

Performing a competitive assessment of Cadence's compensation programs, practices and levels for its executive officers and other select employees; and

Providing information on typical industry practices concerning employment, severance and change in control agreements.

The Compensation Committee made a number of compensation decisions, including decisions with respect to Cadence's Named Executive Officers (as defined below in Compensation of Executive Officers), based on the competitive assessments provided by and through consultation with Semler Brossy. In addition, Cadence's CEO typically makes assessments and recommendations to the Compensation Committee on whether there should be adjustments to the annual base salary, annual cash incentive compensation and long-term equity incentive compensation of executive officers other than himself based upon an assessment of certain factors described further in Compensation Discussion and Analysis below. The Compensation Committee reviews such assessments and recommendations and determines whether or not to approve or modify the CEO's recommendations. The Compensation Committee's decisions are made, however, solely by the Compensation Committee, in its sole

discretion. See Compensation Discussion and Analysis below for more information.

The Compensation Committee held ten (10) meetings during fiscal 2008.

Corporate Governance and Nominating Committee

The Board has determined that all Corporate Governance and Nominating Committee members are independent as defined by the NASDAQ listing standards.

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The Corporate Governance and Nominating Committee charter was most recently amended in February 2009. The duties and responsibilities of the Corporate Governance and Nominating Committee include:

Determining any criteria for selecting new directors;

Interviewing and evaluating candidates for Board membership;

Evaluating director nominees recommended by stockholders;

Reviewing, at least annually, the appropriate skills and characteristics required for directors in the context of the composition of the Board;

Reviewing periodically the size of the Board and recommending any changes to the Board;

Recommending to the Board director nominees for election at the next annual or special meeting of stockholders or to fill any vacancies or newly created directorships that may occur between such meetings;

Making a recommendation to the Board as to whether to accept or reject the resignation of an incumbent director who receives a greater number of votes cast against than votes cast for at an annual or special meeting of stockholders;

Reviewing Cadence's Corporate Governance Guidelines and Code of Business Conduct;

Overseeing the administration of Cadence's Code of Business Conduct and administering the Code of Business Conduct with respect to Cadence's directors and executive officers;

Reviewing and approving any related person transactions involving Cadence directors and executive officers and establishing policies and procedures for the review, approval and ratification of such transactions; and

Overseeing the annual evaluation of the Board and its committees.

The Corporate Governance and Nominating Committee employs a variety of methods to identify and evaluate director nominees. The committee periodically assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement of directors or otherwise, and the need for particular expertise on the Board. If vacancies are anticipated or otherwise arise, the committee considers potential director candidates. Additionally, candidates may come to the attention of the committee through current Board members, officers, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the committee, and may be considered at any point during the year. In connection with this evaluation, the Corporate Governance and Nominating Committee determines whether to interview the prospective nominee and, as warranted, one or more members of the committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation and interview, the committee makes a recommendation to the full Board as to the persons who should be nominated or elected by the Board, and the Board determines whether to reject, elect or nominate the candidate, as the case may be, after considering the recommendation of the committee.

The Corporate Governance and Nominating Committee will consider individuals recommended by stockholders for nomination as a director pursuant to the provisions of Cadence's Bylaws relating to stockholder nominations. A stockholder who wishes to recommend a prospective nominee for the Board should notify Cadence's Corporate Secretary or the Corporate Governance and Nominating Committee in writing with the supporting material required by Cadence's Bylaws as described under Other Matters Stockholder Proposals and Nominations below, and any other

material the stockholder considers necessary or appropriate.

Although the Board currently has no defined minimum criteria for consideration or continued service as a director, the Corporate Governance and Nominating Committee evaluates prospective nominees against the standards and qualifications set out in Cadence's Corporate Governance Guidelines and other relevant factors as it deems appropriate. Among the factors the Board may consider are the current composition of the Board, the need for particular expertise, the prospective nominee's experience, judgment, understanding of electronic design and semiconductor technologies, and other relevant characteristics. At least a majority of directors on the Board must be independent as defined by the NASDAQ listing standards and as determined by the Board.

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The Corporate Governance and Nominating Committee held five (5) meetings during fiscal 2008.

Finance Committee

The Finance Committee, on behalf of the Board, evaluates and approves financings, mergers, acquisitions, divestitures and other financial commitments of Cadence to unaffiliated third parties that involve amounts greater than \$50 million and up to \$125 million.

The Finance Committee held eighteen (18) meetings during fiscal 2008.

Technology Committee

The Technology Committee monitors trends in technology that may affect Cadence's strategic plans, advises the Board regarding Cadence's research and development activities and reviews and makes recommendations to management regarding Cadence's leading technologists and researchers.

The Technology Committee held five (5) meetings during fiscal 2008.

Temporary Search Committee for New CEO

In connection with the resignation of Michael J. Fister as CEO of Cadence on October 15, 2008, the Board created a temporary committee to identify, evaluate and recommend to the Board qualified candidates to serve as CEO of Cadence. The temporary committee was comprised of Dr. Shoven and Messrs. Lucas, Scalise, Siboni and Tan, with Dr. Shoven and Mr. Tan serving as Co-Chairs of the temporary committee. The temporary committee was dissolved on January 8, 2009 upon the appointment of Mr. Tan as CEO of Cadence.

The temporary search committee held five (5) meetings during fiscal 2008.

COMPENSATION OF DIRECTORS

Directors who are Cadence employees do not receive additional compensation for their service on the Board. The following table sets forth the compensation earned by Cadence's non-employee directors for their service on the Board in fiscal 2008:

DIRECTOR COMPENSATION FOR FISCAL 2008

Name	Fees Earned or Paid in	Option	All Other	Total
	Cash (\$)	Awards \$(1)(2)	Compensation \$(3)	
Donald L. Lucas	\$ 235,000	\$ 141,743	\$ 5,932	\$ 382,675
Dr. Alberto Sangiovanni-Vincentelli	146,000	141,743	167,820	455,563
George M. Scalise	130,000	141,743	0	271,743
Dr. John B. Shoven	277,000	283,487	5,395	565,882

It is not our duty or responsibility to conduct auditing or accounting reviews or procedures. We are not employees of YP Corp. while serving on the Audit Committee. We are not and we may not represent ourselves to be or to serve as

accountants or auditors by profession or experts in the fields of accounting and auditing. Therefore, we have relied, without independent verification; on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and on the representations of the independent auditors included in their report on YP Corp.'s consolidated financial statements. Our oversight does not provide us with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, our considerations and discussions with management and the independent auditors do not assure that YP Corp.'s consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America, that the audit of YP Corp.'s consolidated financial statements has been carried out in accordance with generally accepted auditing standards or that YP Corp.'s independent accountants are in fact "independent."

This year, we reviewed YP Corp.'s audited consolidated financial statements and met with both management and Epstein, Weber & Conover, P.L.C., YP Corp.'s independent auditors, to discuss those consolidated financial statements. Management has represented to us that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. We have received from and discussed with Epstein, Weber & Conover, P.L.C. the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). These items relate to that firm's independence from YP Corp. We also discussed with Epstein, Weber & Conover, P.L.C. any matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended by Statement on Auditing Standards No. 89 and No. 90.

Based on these reviews and discussions, we recommended to the board that YP Corp.'s audited consolidated financial statements should be included in YP Corp.'s Annual Report on Form 10-K for the fiscal year ended September 30, 2006.

The Audit Committee

Joseph F. Cunningham, Chairman

EXECUTIVE OFFICERS

Executive Officers

Our executive management consists of the following personnel:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Daniel L. Coury, Sr.	53	Chief Executive Officer & President
Gary L. Perschbacher	58	Chief Financial Officer
John Raven	42	Chief Operating Officer

DANIEL L. COURY, SR. Mr. Coury has served as a director of our company since February 2000, and served as our acting Chief Executive Officer since January 2006 until his permanent appointment as Chief Executive Officer and President in September 2006. Since 1990, Mr. Coury has served as President and Chairman of Mesa Cold Storage, Ltd., which owns and operates the largest cold storage facilities in Arizona. Before Mr. Coury purchased Mesa Cold Storage, he had experience in international trade, real estate development, real estate exchanges and serving as a consultant to various family businesses, including General Motors dealerships, numerous commercial and residential developments and mortuary services.

GARY L. PERSCHBACHER. Mr. Perschbacher has 35 years of management experience. He joined YP Corp. in November 2005 as Special Assistant to the Chairman of the Board, working with the Chairman in implementing cost reduction and revenue enhancement programs, and was appointed to serve as Chief Financial Officer in February 2006. Since June, 2000, Mr. Perschbacher has been a financial leadership partner in the executive services and consulting firm, Tatum LLC, and in that capacity has worked with several emerging growth companies. Mr. Perschbacher has a BBA, with a concentration in finance, from the University of Wisconsin- Milwaukee, and an MBA from Keller Graduate School of Management.

JOHN RAVEN. Mr. Raven has served as our Chief Operating Officer since July 2005. Mr. Raven has served as our Chief Technology Officer since September 2003. Mr. Raven has over eleven years experience in the technology arena and 16 years of overall leadership experience working with companies such as Perot Systems (PER), where he worked in 2003 and managed 640 staff members, Read-Rite Corp (RDRT), where he worked from 2000 to 2003, and as Cap Gemini Ernst & Young (CAPMF), where he worked from 2000 to 2002. Mr. Raven also served as Director of Information Technology at Viacom's ENG Network division, where he worked from 1996 to 1999. Mr. Raven has experience in software engineering, data and process architecture, systems development, and database management systems. At NASA's Jet Propulsion Laboratory, where he worked from 1993 to 1996, Mr. Raven was a team member and information systems engineer for the historic 1997 mission to Mars conducted with the Pathfinder space vehicle and the Sojourner surface rover. Mr. Raven received his Bachelors of Science in Computer Science from the California Institute of Technology in 1991. His certifications include Cisco Internetwork Engineer, Project Management from the Project Management Institute, Certified Project Manager from Perot Management Methodology Institute, Microsoft Certified System Engineer, and Certified Novel Engineer.

EXECUTIVE COMPENSATION

Executive Compensation Summary

The following table sets forth the total compensation for the fiscal years ended September 30, 2006, 2005, and 2004 paid to or accrued for our Chief Executive Officer and our other executive officers who earned more than \$100,000 in salary and bonus during fiscal 2006. Additionally, we have included the compensation for two former executive officers who departed during the last fiscal year and whose compensation actually paid would have placed each of them among our executive officers who earned more than \$100,000 in salary and bonus during fiscal 2006. These

executive officers are collectively referred to as the "Named Executive Officers."

SUMMARY COMPENSATION TABLE

<i>Name and Principal Position</i>	<i>Year</i>	<i>Annual Compensation</i>		<i>Long Term Compensation</i>		<i>All Other Compensation (\$)</i>
		<i>Salary (\$)</i>	<i>Bonus (\$)</i>	<i>Other Annual Compensation (\$)</i>	<i>Restricted Stock Awards (\$) (1)</i>	
Daniel L. Coury, Sr. (3) Chief Executive Officer	2006	125,000	150,000	-	1,163,000	5,500 (2)
	2005	-	-	-	-	-
	2004	-	-	-	-	-
Gary L. Perschbacher (4) Chief Financial Officer	2006	189,195	-	-	84,000	-
	2005	-	-	-	-	-
	2004	-	-	-	-	-
John Raven (5) Chief Operating Officer	2006	\$ 205,082	80,000	-	20,500	-
	2005	211,500	\$ 30,000	-	\$ 21,250	\$ -
	2004	151,888	-	-	-	-
Peter J. Bergmann (6)	2006	\$ 57,779	-	-	-	347,500 (8)
	2005	220,833	\$ 130,000	-	\$ 85,000	\$ 18,500
	2004	50,000	181,796	-	1,777,250 (10)	37,800
W. Chris Broquist (7)	2006	\$ 69,832	-	-	-	95,359 (9)
	2005	156,867	\$ -	-	\$ 42,500	\$ -
	2004	18,000	-	-	153,500	-

(1) The amounts under the Restricted Stock Awards column represent the dollar value of shares of restricted stock issued to the Named Executive Officers under our 2003 Stock Plan. The holders of these shares of restricted stock receive dividends on such shares when and if declared and paid on shares of our common stock. At September 30, 2006, the number of shares of restricted stock held by each of the Named Executive Officers and the value of such shares, based on a closing price of \$0.91 per share on that date, was as follows: Mr. Coury: 1,750,000 shares (\$1,592,500); Mr. Perschbacher 100,000 shares (\$91,000); Mr. Raven: 150,000 shares (\$136,500); Mr. Bergmann: 750,000 shares (\$682,500); and Mr. Broquist: 150,000 shares (\$136,000).

(2) The amounts shown for fiscal 2006 with respect to Mr. Coury reflects Directors fees paid during the year.

(3) Mr. Coury has served as our Chief Executive officer since September 2006. Mr. Coury's compensation arrangements are described below under "*Certain Relationships and Related Transactions - Agreements with*

Executive Officers.”

- (4) Mr. Perschbacher has served as our Chief Financial Officer since February 2006. Mr. Perschbacher's compensation arrangements are described below under "*Certain Relationships and Related Transactions - Agreements with Executive Officers.*"
 - (5) Mr. Raven joined our company in August 2003 and currently serves as the Company's Chief Operating Officer and Chief Technical Officer. Mr. Raven's compensation arrangements are described below under "*Certain Relationships and Related Transactions - Agreements with Executive Officers.*"
 - (6) Mr. Bergmann served as our President, Chief Executive Officer and Chairman from May 2004 until December 2005. Mr. Bergmann's compensation arrangements are described below under "*Certain Relationships and Related Transactions - Agreements with Executive Officers.*"
 - (7) Mr. Broquist served as Chief Financial Officer from August 2004 until February 2006. Mr. Broquist's compensation arrangements are described below under "*Certain Relationships and Related Transactions - Agreements with Executive Officers.*"
 - (8) The amount shown for fiscal 2006 reflects amounts received pursuant to a Separation Agreement with Mr. Bergmann and \$10,000 in Directors fees paid to Mr. Bergman prior to his separation.
 - (9) The amount shown for fiscal 2006 reflects amounts received pursuant to a Separation Agreement with Mr. Broquist.
 - (10) The amount shown for fiscal 2004 includes 600,000 shares of restricted stock (\$853,250) that were rescinded by the Company in connection with Mr. Bergmann's Separation Agreement.
-

Compensation Pursuant to Stock Options

No options were granted to any of the Named Executive Officers during the fiscal year ended September 30, 2006. As of September 30, 2006, there were no outstanding stock options. Also during such fiscal year, no long-term incentive plans or pension plans were in effect with respect to any of the Company's officers, directors or employees.

Board Compensation Committee Report on Executive Compensation.

The Compensation Committee annually reviews the performance and compensation of the Chief Executive Officer and the Company's other executive officers. Additionally, the Compensation Committee reviews compensation of outside directors for service on the board and for service on committees of the board, and administers the Company's stock plans.

Compensation Program Objectives

We believe that the Company's compensation programs for its executive officers should reflect the Company's performance and the value created for its stockholders. In addition, we believe the compensation programs should support the goals and values of the Company and should reward individual contributions to the Company's success. Specifically, the Company's executive compensation program is intended to:

- attract and retain the highest caliber executive officers;
- drive achievement of business strategies and goals;
- motivate performance in an entrepreneurial, incentive-driven culture;
- closely align the interests of executive officers with the interests of the Company's stockholders;
- promote and maintain high ethical standards and business practices; and
- reward results and the creation of stockholder value.

Factors Considered in Determining Compensation

The Compensation Committee makes executive compensation decisions on the basis of total compensation, rather than on separate freestanding components. We attempt to create an integrated total compensation program structured to balance both short and long-term financial and strategic goals. Our compensation should be competitive enough to attract and retain highly skilled individuals. In this regard, we utilize a combination of between two to four of the following types of compensation to compensate our executive officers:

- base salary, which increases by 10% each year during the term of their employment agreement;
- performance bonuses, which may be earned annually depending on the Company's achievement of pre-established goals;
- cash bonuses given at the discretion of the board; and
- equity compensation, consisting of restricted stock.

The Compensation Committee periodically reviews each executive officer's base salary and makes appropriate recommendations to the Company's board of directors. Salaries are based on the following factors:

- the Company's performance for the prior fiscal years and subjective evaluation of each executive's contribution to that performance;
- the performance of the particular executive in relation to established goals or strategic plans; and
- competitive levels of compensation for executive positions based on information drawn from compensation surveys and other relevant information.

Performance bonuses and equity compensation are awarded based upon the recommendation of the Compensation Committee. Restricted stock is generally granted annually under the Plan and is priced at 100% of the closing price of the Company's common stock on the date of grant. These grants are made with a view to linking executives' compensation to the long-term financial success of the Company.

Chief Executive Officer Compensation

As Chief Executive Officer of the Company, Mr. Coury's compensation is based on his employment agreement with the Company, which provides for a minimum base salary, the minimum benefits to which he is entitled under the compensation plans available to the Company's senior executive officers and payments or other benefits he is entitled to receive upon termination of his employment. Mr. Coury's employment agreement, as described more fully below, was entered into on September 19, 2006, shortly before the end of fiscal 2006. Prior to that time, Mr. Coury acted as the interim Chief Executive Officer. His compensation for fiscal 2006, while acting as interim Chief Executive Officer, was paid in part to Mr. Coury and in part to his consulting company, DLC Consulting. The Company paid Mr. Coury and DLC Consulting compensation consisting of an annual base salary of \$125,000 (from January 2006 to May 2006) and an annual base salary of \$100,000 (from June 2006 to September 2006); 300,000 shares of restricted stock under the 2003 Stock Plan; a performance bonus of \$150,000; expenses totaling \$17,020; and directors fees totaling \$25,500. These grants and awards were based on the Company's performance in fiscal 2006 and his leadership of the Company.

The Compensation Committee determined the amount of Mr. Coury's base salary and the number of restricted stock shares to be awarded to him in fiscal 2006 after considering the competitive levels of compensation for chief executive officers managing companies of similar size, complexity and performance level, current trends in the Company's growth, Mr. Coury's contributions to the Company's business success in fiscal 2006 and the conclusion that Mr. Coury has the vision and executive capabilities to continue to lead the growth of the Company.

The Compensation Committee

Richard Butler, Chairman

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Agreements with Executive Officers

Mr. Bergmann was appointed our President, Chief Executive Office, and Chairman of the Board in May 2004. Mr. Bergmann previously had been an independent director of our company since May 2002. In connection with Mr. Bergmann's appointment, we entered into an employment agreement with him. The employment agreement had a three year term. Under the employment agreement, Mr. Bergmann was entitled to an annual base salary of \$200,000, subject to annual increases to \$225,000 during the second year and \$275,000 during the third year of the employment agreement, in addition to performance bonuses of our company's common stock issued out of our 2003 Stock Plan. In connection with the execution of the employment agreement, Mr. Bergmann received 1,000,000 shares of restricted common stock of our company. Mr. Bergmann also was entitled to housing and automobile allowances and reimbursement for all business expenses incurred by him in connection with his employment.

On November 3, 2005, Mr. Bergmann resigned as Chairman and President of our company and we entered into a separation agreement with Mr. Bergmann. In connection with the separation agreement, on November 3, 2005, our company and Mr. Bergmann terminated his employment agreement and his restricted stock agreement. Pursuant to the separation agreement, Mr. Bergmann resigned as our Chief Executive Officer immediately upon the filing of our Annual Report on Form 10-K and Mr. Bergmann was to continue to serve as a director of our company until the Annual Meeting. Mr. Bergmann resigned as a director of the Company on January 9, 2006.

In consideration of a waiver of all rights to severance and certain other covenants and a general release of all claims by Mr. Bergmann, the separation agreement provided for the continued payment of Mr. Bergmann's monthly salary until his resignation as CEO. We also paid to Mr. Bergmann 18 months of his current salary in one payment of \$337,500 on or before January 2, 2006. We also provided Mr. Bergmann with health insurance for the lesser of 12 months or until he was employed elsewhere with a company that offered an insurance program.

Pursuant to the separation agreement, Mr. Bergmann forfeited all shares of our common stock and any other unvested capital stock or options to purchase such stock received by Mr. Bergmann, or an affiliated party, while employed by our company except for (i) 50,000 shares granted to Mr. Bergmann in 2002 that were fully vested, (ii) 600,000 shares of the total 1,000,000 shares granted to Mr. Bergmann under a restricted stock agreement and (iii) 100,000 shares granted to Mr. Bergmann in April 2005. The parties agreed that the shares set forth in (ii) and (iii) above will remain subject to contractual restrictions on transfer for 18 months, or until a change of control or our stock price achieving certain sustained levels.

On August 3, 2004, we hired W. Chris Broquist as our Chief Financial Officer and entered into an employment agreement with him. The employment agreement had a three year term. Under the employment agreement, Mr. Broquist was entitled to an annual base salary of \$144,000, subject to annual increases to \$160,000 in the second year and \$176,000 in the third year, in addition to performance bonuses of our company's common stock issued out of our 2003 Stock Plan. In connection with the execution of the employment agreement, Mr. Broquist received 100,000 shares of restricted common stock. Mr. Broquist also was entitled to housing and automobile allowances and reimbursement for all business expenses incurred by him in connection with his employment.

On January 19, 2006, the Company entered into a Separation Agreement & General Release with Mr. Broquist pursuant to which Mr. Broquist and the Company 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 received a severance package consisting of six months of compensation and health benefits and the continued vesting of his restricted stock and Mr. Broquist also agreed not to compete with the Company or solicit any of the employees of the Company for a period of two years.

On September 21, 2004, we entered into a two-year employment agreement with John Raven, who now serves as our Chief Operating Officer. Under the employment agreement, Mr. Raven was entitled to an annual base salary of \$165,000, subject to an increase to \$185,000 in the second year, in addition to a \$35,000 signing bonus and performance bonuses of restricted stock. Mr. Raven's agreement was renewed and extended as of February 6, 2006 and again as of September 20, 2006. His current agreement provides for a term ending September 20, 2009 and a base salary of \$220,000. Salary for subsequent years, beginning with the fiscal year ending September 30, 2008, will be determined by the Compensation Committee but in no event will be less than 110% of the prior year's salary. On April 1, 2006, Mr. Raven received a cash bonus of \$50,000. Mr. Raven also received a bonus of \$25,000 on September 19, 2006 and a bonus of \$5,000 on December 15, 2006, each of which were based on his performance during fiscal 2006. Additionally, Mr. Raven is to receive a bonus of 150,000 shares of restricted stock under the 2003 Stock Plan either upon change of control as defined in the plan or when the when the Company's stock trades at \$2.00 per share, whichever comes first.

Effective January 2006, Mr. Daniel L. Coury Sr. was appointed Chairman of the Board and acting Chief Executive Officer. On September 19, 2006, we entered into an employment agreement with Mr. Coury, which provides for his service as the Company's Chief Executive Officer. At that time, Mr. Coury resigned as Chairman of the Board; however, he continues to serve as a director. As the acting Chief Executive Officer, Mr. Coury received, in addition to his director fees, \$25,000 per month for each month he served. He was also granted 300,000 shares of restricted stock under the Company's 2003 Stock Plan upon accepting the position of acting Chief Executive Officer and 100,000 shares of restricted stock upon becoming the permanent Chief Executive Officer. Pursuant to his employment agreement, Mr. Coury will receive a base salary of \$420,000, plus 10% annual salary increases, beginning with the Company's fiscal year ending September 30, 2008; an annual bonus of \$150,000, provided the Company obtains certain performance measures as established by the Company's Board of Directors; a one time bonus of \$150,000 if and when the common stock of the Company is listed on a national exchange; and a grant of 1,000,000 shares of restricted stock of the Company ("Restricted Shares"), which vest upon the earlier to occur of three years or a "change of control" (as defined in the Company's 2003 Stock Plan); provided, however, that Mr. Coury is obligated to return 1/3 of the Restricted Shares at the end of each fiscal year unless certain performance targets are reached for that fiscal year. Additionally, in the event that Mr. Coury terminates his employment for "good reason" or the Company terminates his employment other than for "Cause" or on account of his death or "disability," as each of those terms is defined in the employment agreement, Mr. Coury will receive 12 months of continuing salary, and all restricted stock granted to the employee prior to the employment agreement and the portion of the Restricted Shares that remain unvested and for which the annual risk of forfeiture has lapsed due to annual performance targets being achieved will be immediately accelerated. As a reward for his performance during fiscal 2006, Mr. Coury also received a bonus of \$150,000.

On March 31, 2006, the Company entered into an employment agreement with Gary Perschbacher to serve as our Chief Financial Officer. On September 19, 2006, we amended Mr. Perschbacher's employment agreement. The terms of the agreement provide for an extension of the term until September 20, 2009 and a base salary of \$200,000. Salary for subsequent years, beginning with the Company's fiscal year ending September 30, 2008, will be determined by the Compensation Committee but in no event will be less than 110% of the prior year's salary. Mr. Perschbacher also received a grant of 100,000 shares of restricted stock of the Company pursuant to the Company's 2003 Stock Plan.

On November 1, 2004, we entered into a two-year employment agreement with Penny Spaeth, who served as our Chief Operating Officer from April 2004 until July 2005. Under the agreement, Ms. Spaeth was entitled to an annual base salary of \$137,500, subject to an increase to \$151,020, in addition to performance bonuses of 25,000 shares of restricted stock. Ms. Spaeth was entitled to receive \$400 per month allowance for automobile usage and \$100 per month allowance for cellular phone charges. Under the terms of Ms. Spaeth's separation agreement, she received severance payments totaling \$80,000 and received health benefits for six months.

Related Party Transaction Policy

Our general policy requires adherence to Nevada corporate law regarding transactions between our company and a director, officer or affiliate of our company. Transactions in which such persons have a financial interest are not void or voidable if the interest is disclosed and approved by disinterested directors or stockholders or if the transaction is otherwise fair to our company. It is our policy that transactions with related parties are conducted on terms no less favorable to our company than if they were conducted with unaffiliated third parties. During the fiscal year ended September 30, 2006, there were no related party transactions except as described above.

SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of December 1, 2006, with respect to (i) each Named Executive Officer and each director of our company; (ii) all Named Executive Officers and directors of our company as a group; and (iii) each person known to our company to be the beneficial owner of more than 5% of our company's common stock. The information as to beneficial ownership was furnished to us by or on behalf of the persons named. Unless otherwise indicated, the business address of each person listed is 4840 East Jasmine Street, Suite 105, Mesa, Arizona 85205.

<u>Name</u>	<i>Shares Beneficially Owned</i>	<i>Percentage of Shares Outstanding (1)</i>
Daniel L. Coury, Sr. (2)	1,750,000	3.5%
Gary Perschbacher	100,000	*
John Raven	150,000	*
Joseph Cunningham	250,000	*
Elisabeth DeMarse	150,000	*
Richard Butler	100,000	*
Benjamin Milk	100,000	*
Ewing & Partners (7)	4,753,973	9.5%
Timothy Ewing (7)	4,753,973	9.5%
Endurance General Partners, L.P. (6)	4,753,973	9.5%
Ewing Asset Management, LLC (6)	4,753,973	9.5%
Endurance Partners (Q.P.), L.P. (6)	3,725,431	7.5%
Endurance Partners, L.P. (7)	1,028,542	2.1%
Grand Slam Capital Master Fund, Ltd. (5)	3,951,380	7.9%
Grand Slam Asset Management, LLC (5)	3,951,380	7.9%
Angelo Tullo (3)	4,066,580	8.1%
Sunbelt Financial Concepts, Inc., (4)	3,616,580	7.2%
All executive officers and directors as a group (7 persons)	2,600,000	5.2%

* Represents less than one percent of our issued and outstanding common stock.

(1) Based on 50,020,094 shares outstanding as of December 15, 2006.

(2) Of the number shown, (i) 55,000 shares are owned by Children's Management Trust (the "Coury Trust"), of which Mr. Coury is a co-trustee, and (ii) 10,093 shares are owned by DLC & Associates Business Consulting, Inc. ("DLC"), of which Mr. Coury is the President. Mr. Coury disclaims beneficial ownership of the shares owned by

the Coury Trust and DLC except to the extent of any of his proportionate interest therein, if any.

- (3) Of the number shown, 3,616,580 shares are owned by Sunbelt Financial Concepts, Inc. See footnote 4. Mr. Tullo is the President of Sunbelt and has dispositive power over the shares of common stock owned by Sunbelt. Mr. Tullo's address is 4710 E. Falcon Drive, #209, Mesa, Arizona 85215.
- (4) Address is 4710 E. Falcon Drive, #209, Mesa, Arizona 85215.
- (5) Grand Slam Capital Master Fund, Ltd. holds 3,951,380 shares of common stock directly. Grand Slam Asset Management, LLC serves as an investment advisor of Grand Slam Capital Master Fund, Ltd. and may be deemed to control, directly or indirectly, Grand Slam Capital Master Fund, Ltd. and to beneficially own the shares of common stock being reported by Grand Slam Capital Master Fund, Ltd. Address is One Bridge Plaza, Ft. Lee, New Jersey 07024
- (6) The present principal occupation or employment of Mr. Ewing is managing partner of Ewing & Partners (“E&P”), whose principal business is serving as manager to Endurance Partners, L.P. (“Endurance”) and Endurance Partners (Q.P.), L.P. (“Endurance QP”) and manager and general partner of Value Partners, Ltd. The principal business of Ewing Asset Management is serving as general partner of Endurance General Partners, L.P. and as a minority partner in E&P. The principal business of Endurance General Partners, L.P. is to serve as the general partner of both Endurance and Endurance QP. The principal business of Endurance and Endurance QP is investment in and trading of capital stocks, warrants, bonds, notes, debentures and other securities. Address for all entities and persons is 4514 Cole Avenue, Suite 808, Dallas Texas 75205.
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Equity Compensation Plan Information

WE MAINTAIN THE 2003 STOCK PLAN PURSUANT TO WHICH WE MAY GRANT EQUITY AWARDS TO ELIGIBLE PERSONS. THE FOLLOWING TABLE SETS FORTH CERTAIN INFORMATION ABOUT EQUITY AWARDS UNDER OUR 2003 STOCK PLAN, AS WELL AS AN INDIVIDUAL EQUITY COMPENSATION ARRANGEMENT WITH OUR FORMER CHIEF EXECUTIVE OFFICER, AS OF SEPTEMBER 30, 2006:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted- average exercise price of outstanding options, warrants and rights	(c) Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	4,768,000 (2)	N/A	232,000
Equity compensation plans not approved by security holders	600,000 (3)	N/A	0
Total	5,368,000	N/A	232,000

(1) The 2003 Stock Plan was approved by written consent of a majority of our company's stockholders on July 21, 2003.

(2) This number represents the number of shares of restricted stock granted to eligible persons under the 2003 Stock Plan.

(3) This number represents shares of restricted stock that were granted to Peter J. Bergmann, our Chairman and Chief Executive Officer, pursuant to a restricted stock agreement dated June 6, 2004, as reduced per the terms of his separation agreement, dated November 3, 2005. These shares were not granted under our 2003 Stock Plan. These shares of restricted stock vest in accordance with a performance-based vesting schedule. As of September 30, 2006, none of these shares are vested.

Our 2003 Stock Plan

During the year ended September 30, 2002, our stockholders approved the 2002 Employees, Officers & Directors Stock Option Plan (the "2002 Plan"), which was intended to replace our 1998 Stock Option Plan (the "1998 Plan"). The 2002 Plan was never implemented, however, and no options, shares or any other securities were issued or granted under the 2002 Plan. There were 3,000,000 shares of our common stock authorized under the 2002 Plan. On June 30, 2003 and July 21, 2003, respectively, our Board of Directors and a majority of our stockholders terminated both the 1998 Plan and the 2002 Plan and approved our 2003 Stock Plan. The 3,000,000 shares of common stock previously allocated to the 2002 Plan were re-allocated to the 2003 Stock Plan.

In April 2004, our stockholders and our Board of Directors approved an amendment to the 2003 Stock Plan to increase the aggregate number of shares available there under by 2,000,000 shares in order to have an adequate number of shares available for future grants. Subject to the approval of Proposal 2, the number of shares available for

issuance will be increased by another 3,000,000 shares.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors, and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Based solely on our review of the copies of such forms filed under the SEC during the year ended September 30, 2006, we believe that during such year our executive officers, directors and ten percent stockholders complied with all such filing requirements except for Matthew and Markson Ltd. and Morris & Miller Ltd., who filed several reports late.

PERFORMANCE GRAPH

**Compare 5-Year Cumulative Total Return
Among YP Corp., Wilshire 5000 Index
And Dow Jones Internet Index**

**Assumes \$100 Invested on September 30, 2001
Assumes Dividends, if any, Reinvested
Fiscal Year Ended September 30, 2006**

	9/30/2001	9/30/2002	9/30/2003	9/30/2004	9/30/2005	9/30/2006
YP Corp	\$ 100.00	\$ 68.18	\$ 1,509.09	\$ 1,006.62	\$ 836.10	\$ 874.43
Wilshire 5000 Index	\$ 100.00	\$ 81.29	\$ 100.91	\$ 113.93	\$ 128.51	\$ 139.56
Dow Jones Internet Services Index	\$ 100.00	\$ 47.18	\$ 100.39	\$ 98.77	\$ 126.63	\$ 153.79

PROPOSAL TO AMEND OUR
2003 STOCK PLAN
(Proposal No. 2)

General Information

At the 2007 Annual Meeting there will be presented to stockholders a proposal to approve an amendment to the 2003 Stock Plan to increase the number of shares authorized for issuance under the 2003 Stock Plan (the "Plan") from 5,000,000 to 8,000,000. As of December 1, 2006, 227,000 shares remained available for future grants under the current Plan. At its meeting on November 5, 2006, the board of directors, acting as the Plan Committee, unanimously approved the proposed amendment subject to stockholder approval at the Annual Meeting. The amendment to the 2003 Stock Plan increasing the number of shares authorized for issuance will not be effective unless and until stockholder approval is obtained.

The board of directors believes that the Company's ability to grant awards under the Plan, and under the amended Plan, will promote the success and enhance the value of the Company by linking the personal interest of participants to those of the Company's shareholders and by providing participants with an incentive for outstanding performance. The board of directors believes that the Plan helps the Company attract, retain and motivate employees, officers and directors. The Board of Directors believes that an increase in the number of shares available for issuance in future years, as proposed, is in the best interests of the Company and its stockholders.

The Plan provides for the granting of restricted stock, performance share awards and performance-based awards to eligible individuals. A summary of the principal provisions of the Plan, as amended, is set forth below. The summary is qualified by reference to the full text of the 2003 Stock Plan, which is filed as Exhibit 10 to our Quarterly Report on Form 10-QSB for the fiscal quarter ending March 31, 2005.

Administration

The Plan shall be administered by a committee of the board ("Committee"). If the board does not appoint a committee, the 2003 Stock Plan shall be administered by the board and all references in the Plan to the Committee shall refer to the board. The committee shall have the exclusive authority to administer the Plan, including the power to determine eligibility; the types and sizes of awards; the price and timing of awards; and any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an award, and accelerations or waivers thereof.

Eligibility

Persons eligible to participate in the Plan include all employee and non-employee service providers of the Company or any subsidiary, as determined by the Committee.

Limitation on Awards and Shares Available

An aggregate of 8,000,000 shares of our common stock is available for grant under the Plan, as amended (of which, 4,773,000 shares have been granted). The maximum number of shares of common stock payable in the form of performance-based awards to any one participant for a performance period is 1,000,000 shares, or in the event the performance-based award is paid in cash, the maximum is determined by multiplying 1,000,000 by the fair market value of one share of stock as of the date of grant of the performance-based award.

Awards

The Plan provides for the grant of restricted stock, performance shares and performance-based awards. No determination has been made as to the types or amounts of awards that will be granted to specific individuals under the Plan.

A restricted stock award is the grant of shares of common stock at a price determined by the Committee (including zero), that is nontransferable and subject to substantial risk of forfeiture until specific conditions are met. Conditions may be based on continuing employment or achieving performance goals. During the period of restriction, participants holding shares of restricted stock may have full voting and dividend rights with respect to such shares. The restrictions will lapse in accordance with a schedule or other conditions determined by the Committee. A grant of performance shares gives the recipient rights that are valued and payable to or exercisable by the recipient as established by the Committee upon the grant or thereafter.

Grants of performance-based awards under the Plan enable the Committee to treat restricted stock awards and performance share awards granted under the Plan as “performance-based compensation” under Section 162(m) of the Code and preserve the deductibility of these awards for federal income tax purposes. Because Section 162(m) of the Code only applies to those employees who are “covered employees,” as defined in Section 162(m) of the Code, only individuals who are, or could be, covered employees are eligible to receive performance-based awards.

Participants are only entitled to receive payment for a performance-based award for any given performance period to the extent that pre-established performance goals set by the Committee for the period are satisfied. These pre-established performance goals must be based on one or more of the following performance criteria: pre- or after-tax net earnings, sales or revenue, operating earnings, operating cash flow, return on net assets, return on shareholders’ equity, return on assets, return on capital, shareholder returns, gross or net profit margin, earnings per share, price per share, and market share. These performance criteria may be measured in absolute terms or as compared to any incremental increase or as compared to results of a peer group. With regard to a particular performance period, the Committee shall have the discretion to select the length of the performance period, the type of performance-based awards to be granted, and the goals that will be used to measure the performance for the period. In determining the actual size of an individual performance-based award for a performance period, the Committee may reduce or eliminate (but not increase) the award. Generally, a participant will have to be employed on the date the performance-based award is paid to be eligible for a performance-based award for that period.

Amendment and Termination

The Committee, subject to approval of the board, may terminate, amend, or modify the Plan at any time; provided, however, that shareholder approval must be obtained for any amendment to the extent necessary to comply with any applicable law, regulation or stock exchange rule.

Federal Income Tax Consequences

A participant receiving restricted stock, performance shares or performance-based awards will not recognize taxable income at the time of grant. At the time the restrictions lapse, the participant will recognize ordinary taxable income in an amount equal to the difference between the amount paid for such award and fair market value of the stock or amount received on the date of the lapse of restriction. The Company will be entitled to a concurrent deduction equal to the ordinary income recognized by the participant.

Vote Required for Approval

Approval of the amendment to the Plan requires the affirmative vote of a majority of the shares for which votes are cast, in person or by valid proxy, at a meeting at which a quorum is present

Our board of directors recommends a vote FOR the proposal to amend our 2003 Stock Plan.

AMENDMENT TO AND RESTATEMENT OF THE ARTICLES OF INCORPORATION (Proposal No. 3)

Staggered Board

Our board of directors has unanimously approved and recommended that the stockholders approve an amendment to our Articles of Incorporation, to provide for the classification of our board of directors into three classes of directors with staggered terms of office. Section 5 of Appendix A to this Proxy Statement sets forth the text of the proposed amendment to be added.

Our Articles of Incorporation and Bylaws now provide that all directors are to be elected annually to serve until their successors have been elected and qualified. Nevada law permits provisions in the articles of incorporation or bylaws that provide for a classified board of directors. The proposed amendment to the Articles of Incorporation would provide that directors will be classified into three classes, as nearly equal in number as possible. One class of directors, initially consisting of Messrs. Cunningham and Coury, would hold office initially for a term expiring at the 2010 Annual Meeting; a second class of directors, initially consisting of Messrs. Butler and Milk, would hold office initially for a term expiring at the 2009 Annual Meeting; and a third class of directors, initially consisting of Ms. DeMarse, would hold office initially for a term expiring at the 2008 Annual Meeting. At each Annual Meeting following this initial classification and election, the successors to the class of directors whose terms expire at that meeting would be elected for a term of office to expire at the third succeeding Annual Meeting after their election or until their successors have been duly elected and qualified.

If the number of directors is increased by the board of directors and the resultant vacancies are filled by the board of directors, those additional directors will serve only until the next Annual Meeting of stockholders, at which time they will be subject to election and classification by the stockholders. If any director is elected by the board of directors to fill a vacancy that occurs as a result of the death, resignation, or removal of another director, that director will hold office until the Annual Meeting of stockholders at which the director who died, resigned, or was removed would have been required, in the regular order of business, to stand for re-election, even though that term may extend beyond the next annual meeting of stockholders.

The proposed classified board of directors amendment is designed to assure continuity and stability in our board's leadership and policies because a majority of the Company's directors at any given time will have prior experience as directors with the Company. Our board of directors also believes that the classified board proposal will assist the board in protecting the interests of our stockholders in the event of an unsolicited offer for our Company.

Because of the additional time required to change control of our board of directors, the classified board proposal will tend to perpetuate present management. Without the ability to obtain immediate control of our board, a takeover bidder will not be able to take action to remove other impediments to its acquisition of our Company, including a redemption of stockholder rights, the terms of which create obstacles to an acquisition of our Company, if we choose to grant such rights to our stockholders and empower our board to effect such a redemption. Because the proposed classified board amendment will result in an increase in amount of time required for a takeover bidder to obtain control of our Company without the cooperation of our board, even if the takeover bidder were to acquire a majority of our outstanding voting stock, it will tend to discourage certain tender offers, perhaps including some tender offers that our stockholders may feel would be in their best interests. The proposed classified Board amendment will also make it more difficult for our stockholders to change the composition of the board even if our stockholders believe such a change would be desirable.

Consolidation of Amendment into a Single Amended and Restated Articles of Incorporation

In the interest of clarity, the board of directors believes it is advisable to restate the Articles of Incorporation in full, to the extent the proposed amendment is approved by the stockholders, rather than file a separate Certificate of Amendment to incorporate the approved amendment, thus incorporating the existing provision, as amended, in a single document.

Vote Required

The approval of the proposed amendment and restatement of the Company's Articles of Incorporation will require the affirmative vote of $66\frac{2}{3}\%$ of the shares for which votes are cast at a meeting at which a quorum is present. Abstentions will have the effect of a vote against the proposal and broker non-votes will have no effect on the outcome.

Our board of directors recommends a vote FOR the proposal to amend and restate our Articles of Incorporation.

RATIFICATION OF INDEPENDENT AUDITORS (Proposal No. 4)

Our Audit Committee, pursuant to authority granted to it by our board of directors, has selected Epstein, Weber & Conover, P.L.C., certified public accountants, as independent auditors to examine our annual consolidated financial statements for our fiscal year ending September 30, 2007. Our board is submitting this proposal to the vote of the stockholders in order to ratify the Audit Committee's selection. If stockholders do not ratify the selection of Epstein, Weber & Conover, P.L.C., the audit committee will reconsider the selection of independent auditors.

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Our annual consolidated financial statements for the fiscal years ending September 30, 2005 and 2006 were audited by Epstein, Weber & Conover, P.L.C. We have paid or expect to pay the following fees to Epstein, Weber & Conover, P.L.C. for work performed in 2005 and 2006 or attributable to Epstein, Weber & Conover, P.L.C.'s audit of our 2005 and 2006 consolidated financial statements:

	<i>2005</i>	<i>2006</i>
Audit Fees	\$ 75,842	\$ 80,035
Audit-Related Fees	573	0
Tax Fees	0	0
All Other Fees	0	0

In January 2003, the SEC released final rules to implement Title II of the Sarbanes-Oxley Act of 2003 (the "Sarbanes-Oxley Act"). The rules address auditor independence and have modified the proxy fee disclosure requirements. Audit fees include fees for services that normally would be provided by the accountant in connection with statutory and regulatory filings or engagements and that generally only the independent accountant can provide. In addition to fees for an audit or review in accordance with generally accepted auditing standards, this category contains fees for comfort letters, statutory audits, consents, and assistance with and review of documents filed with the SEC. Audit-related fees are assurance-related services that traditionally are performed by the independent accountant, such as employee benefit plan audits, due diligence related to mergers and acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

The audit committee has reviewed the fees paid to Epstein, Weber & Conover, P.L.C. and has considered whether the fees paid for non-audit services are compatible with maintaining Epstein, Weber & Conover, P.L.C.'s independence. The audit committee also has adopted policies and procedures to approve audit and non-audit services provided in fiscal 2005 by Epstein, Weber & Conover, P.L.C. in accordance with the Sarbanes-Oxley Act and rules of the SEC promulgated there under. These policies and procedures involve annual pre-approval by the audit committee of the types of services to be provided by our independent auditor and fee limits for each type of service on both a per-engagement and aggregate level. Additional service engagements that exceed these pre-approved limits must be submitted to the audit committee for further pre-approval. The audit committee may additionally ratify certain de minimis services provided by the independent auditor without prior audit committee approval, as permitted by the Sarbanes-Oxley Act and rules of the SEC promulgated there under. We will disclose all such approvals by the audit committee, as applicable, in upcoming years.

Representatives of Epstein, Weber & Conover, P.L.C. are expected to be present at the Annual Meeting. The representatives will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The affirmative vote of a majority of the shares for which votes are cast, in person or by valid proxy, at the annual meeting is required to ratify the selection of Epstein, Weber & Conover, P.L.C. as independent auditors for fiscal 2007. An abstention counts as a vote cast and, therefore, effectively counts as a vote against this proposal.

Our board of directors recommends a vote FOR ratification of Epstein, Weber & Conover, P.L.C. as our company's independent auditors for fiscal 2007.

STOCKHOLDER PROPOSALS AND NOMINATIONS

To be considered for inclusion in our proxy materials relating to our 2007 Annual Meeting, stockholder proposals must be received at our principal executive offices by September 10, 2007, which is 120 calendar days prior to the anniversary of the mailing date for this year's proxy materials. All stockholder proposals must be in compliance with applicable laws and regulations in order to be considered for possible inclusion in the proxy statement and form of proxy for the 2007 Annual Meeting.

OTHER MATTERS

As of the date of this Proxy Statement, our board of directors does not intend to present at the Annual Meeting any matters other than those described herein and does not presently know of any matters that will be presented by other parties. If any other matter is properly brought before the meeting for action by stockholders, proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

A copy of our Annual Report for the year ended September 30, 2006 has been mailed to you currently with this Proxy Statement. The Annual Report is not incorporated into this Proxy Statement and is not to be considered a part of these proxy soliciting materials or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934. The information contained in the "Audit Committee Report," "Compensation Committee Report," and "Performance Graph" shall not be deemed "filed" with the Securities and Exchange Commission or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act. We will provide upon written request, without charge to each stockholder of record as of the record date, a copy of our Annual Report on Form 10-K for the fiscal year ended September 30, 2006, as filed with the SEC. Any exhibits listed in the Form 10-K report also will be furnished upon request at the actual expense incurred by us in furnishing such exhibits. Any such requests should be directed to our Corporate Secretary at our principal executive offices at 4840 East Jasmine Street, Suite 105, Mesa, Arizona 85205-3321.

ELECTRONIC DELIVERY OF FUTURE ANNUAL MEETING MATERIALS

We are offering our stockholders the opportunity to consent to receive our future proxy materials and annual reports electronically by providing the appropriate information when voting via the Internet. Electronic delivery could save us a significant portion of the costs associated with printing and mailing Annual Meeting materials, and we hope that our stockholders find this service convenient and useful. If you consent and we elect to deliver future proxy materials and/or annual reports to you electronically, then we will send you a notice (either by electronic mail or regular mail) explaining how to access these materials but will not send you paper copies of these materials unless you request them. We may also choose to send one or more items to you in paper form despite your consent to receive them electronically. Your consent will be effective until you revoke it by terminating your registration at the website www.investordelivery.com if you hold shares at a brokerage firm or bank participating in the ADP program, or by contacting our transfer agent, Registrar and Transfer Company, if you hold shares in your own name.

By consenting to electronic delivery, you are stating to us that you currently have access to the Internet and expect to have access in the future. If you do not have access to the Internet, or do not expect to have access in the future, please do not consent to electronic delivery because we may rely on your consent and not deliver paper copies of future Annual Meeting materials. In addition, if you consent to electronic delivery, you will be responsible for your usual Internet charges (e.g., online fees) in connection with the electronic delivery of the proxy materials and annual report.

YP Corp.

/s/ Gary Perschbacher
Gary Perschbacher
Chief Financial Officer

January ____, 2007

APPENDIX A

Amended and Restated Articles of Incorporation
of
YP Corp.

1. Name. The name of the corporation is YP Corp. (the “Corporation”).
2. Capital Stock. The Corporation is authorized to issue two classes of stock. One class of stock shall be Common Stock, par value, \$0.001. The second class of stock shall be Preferred Stock, par value \$0.001. This Corporation is authorized to issue 100,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock.
 - 2.1. Common Stock. Each share of Common Stock issued and outstanding shall be entitled to one vote on all matters. Shares of such Common Stock may be issued for such consideration and for such corporate purposes as the Board of Directors may from time to time determine. Fully paid shares of Common Stock of this Corporation shall not be liable to any further call or assessment. Dividends may be declared and paid on the Common Stock only out of funds legally available therefore. Upon the sale of substantially all of the stock or assets of the Corporation in a non-public transaction or dissolution, liquidation, or winding up of the Corporation, whether voluntary or involuntary, after all liquidation preferences payable to any series of Preferred Stock entitled thereto have been satisfied, the remaining net assets of the Corporation shall be distributed to the holders of Common Stock and any similarly situated stockholders who are not entitled to any liquidation preference (or, if there be an insufficient amount to pay all such stockholders, then ratably among such holders).
 - 2.2. Preferred Stock.
 - (a) The Preferred Stock not so specifically designated may be designated in the future by action of the Board of Directors of the Corporation and otherwise in accordance with the applicable provisions of the NRS. The designated series of Preferred Stock shall have such powers, designations, preferences and relative, participating or optional or other special rights and qualifications, limitations or restrictions thereof as shall be expressed in the resolution or resolutions providing for the issue of such stock adopted by the Corporation’s Board of Directors and may be made dependent upon facts ascertainable outside such resolution or resolutions of the Board of Directors, provided that the manner in which such facts shall operate upon such powers, designations, preferences, rights and qualifications, limitations or restrictions of such class or series of stock is clearly and expressly set forth in the resolution or resolutions providing for the issuance of such stock by the Board of Directors.
 - (b) The shares of each class or series of the Preferred Stock may vary from the shares of any other class or series thereof in any respect. The Board of Directors may increase the number of shares of the Preferred Stock designated for any existing class or series by a resolution adding to such class or series authorized and unissued shares of the Preferred Stock not designated for any other class or series. The Board of Directors may decrease the number of shares of the Preferred Stock designated for any existing class or series of the Preferred Stock and the shares so subtracted shall become authorized, unissued and undesignated shares of the Preferred Stock.
3. Designation and Amount of Series E Convertible Preferred Stock. In accordance with the foregoing Section 2.2, the Corporation has authorized a series of Preferred Stock, which shall be designated as Series E Convertible Preferred Stock (the “Series E Preferred Convertible Stock”). The number of shares constituting the Series E Preferred Stock shall be 200,000, par value \$0.001. The Series E Preferred Stock has the voting powers, preferences, relative, participating, limitations, qualifications, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth below.

3.1. Dividends.

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

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

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

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

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

3.4. Conversion of Series E Convertible Preferred Stock.

(a) Holder’s Right to Convert.

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

(ii) *Mechanics of Conversion.*

(1) In order to convert Series E Convertible Preferred Stock into full shares of Common Stock, the holder shall (i) transmit a facsimile copy of the fully executed notice of conversion in the form provided by the Corporation (“Notice of Conversion”) to the Corporation, which notice shall specify the number of shares of Series E Convertible Preferred Stock to be converted, prior to midnight, New York City time (the “Conversion Notice Deadline”), on the date of conversion specified on the Notice of Conversion, and (ii) promptly surrender the original certificate or certificates therefor, duly endorsed, and deliver the original Notice of Conversion by either overnight courier or 2-day courier, to the office of the Corporation or of any transfer agent for the Series E Convertible Preferred Stock, together with payment by certified or bank check for \$.045 per converted share; provided, however, that the Corporation shall not be obligated to issue certificates evidencing such Series E Convertible Preferred Stock unless either the certificates evidencing such Series E. Convertible Preferred Stock are delivered to the Corporation or its transfer agent as provided above or the Holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen

or destroyed. Upon receipt by the Corporation of evidence of the loss, theft, destruction or mutilation of the certificate or certificates (“Stock Certificates”) representing shares of Series E Convertible Preferred Stock and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Corporation, and upon surrender and cancellation of the Stock Certificate(s), if mutilated, the Corporation shall execute and deliver new Stock Certificate(s) of like tenor and date. No fractional shares of Common Stock shall be issued upon conversion of the Series E Convertible Preferred Stock. In lieu of any fractional share to which the Holder would otherwise be entitled, the Corporation shall pay cash to such Holder in an amount equal to such fraction multiplied by the value of the Common Stock as determined in good faith by the Corporation’s Board of Directors. In the case of a dispute as to the calculation of the Conversion Price, the Corporation’s calculation shall be deemed conclusive absent manifest error.

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

(b) Adjustment to Conversion.

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

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

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

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

5.1. Classified Board.

(a) Other than with respect to any Preferred Stock Directors, the Board of Directors shall be divided into three classes as nearly equal in number as possible (each, a “Class”), known as Class I, Class II and Class III. Directors of Class I first chosen at the annual meeting of stockholders held in 2007 shall hold office until the third annual meeting of the stockholders following their election, such annual meeting of the stockholders to be held in 2010; directors of Class II first chosen at the annual meeting of stockholders held in 2007 shall hold office until the second annual meeting following their election, such annual meeting of the stockholders to be held in 2009; and directors of Class III first chosen at the annual meeting of the stockholders held in 2007 shall hold office until the first annual meeting following their election, such annual meeting of the stockholders to be held in 2008. At each annual meeting of stockholders beginning with the annual meeting of stockholders held in 2007, directors chosen to succeed those whose terms then expire shall be elected for a term of office expiring at the third succeeding annual meeting of stockholders after their election. Other than with respect to any Preferred Stock Directors, when the number of directors is changed, any newly created directorships or any decreases in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as possible. When the number of directors is increased by the Board of Directors (other than as a result of the establishment of any Preferred Stock Directors) and the resultant vacancies are filled by the Board of Directors, such additional directors shall serve only until the next annual meeting of stockholders, at which time they shall be subject to election and classification by the stockholders. In the event that any director is elected by the Board of Directors to fill a vacancy that occurs as a result of the death, resignation, or removal of another director, such director shall hold office until the annual meeting of stockholders at which the director who died, resigned, or was removed would have been required, in the regular order of business, to stand for re-election, even though such term may thereby extend beyond the next annual meeting of stockholders. Each director who is elected as provided in this Section 5 shall serve until his or her successor is duly elected and qualifies.

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

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

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

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

the basis of accounting practices that are reasonable under the circumstances; (ii) a fair valuation, including, but not limited to, unrealized appreciation and depreciation; or (iii) any other method that is reasonable in the circumstances.

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

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

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

REVOCABLE PROXY
YP CORP.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

PLEASE MARK VOTES AS IN THIS EXAMPLE S

Annual Meeting of Stockholders-February 8, 2007

The undersigned revokes all previous proxies, acknowledges receipt of the Notice of the Annual Meeting of Stockholders to be held on February 8, 2007 and the Proxy Statement and appoints Gary Perschbacher, the proxy of the undersigned, with full power of substitution to vote all shares of Common Stock of YP Corp. (the "Company") that the undersigned is entitled to vote, either on his or her own behalf of any entity or entities, at the Annual Meeting of Stockholders of the Company to be held at the MGM Grand Hotel, 3799 Las Vegas Blvd. South , Las Vegas, Nevada 89109, on February 8, 2007 at 10:00 a.m. local time, and at any adjournment or postponement thereof, with the same force and effect as the undersigned might or could do if personally present thereat. The shares represented by this proxy shall be voted in the manner set forth on the reverse side.

Please be sure to sign and date this Proxy in the box below.

Date

Stockholder sign above

Co-holder (if any) sign above

1. Election of Directors
Joseph F. Cunningham Jr.
Daniel Coury, Sr.
Richard Butler
Benjamin Milk
Elisabeth DeMarse

For	With-hold
£	£
£	£
£	£
£	£
£	£

2. To approve the amendment to our 2003 Stock Plan:

For	Against	Abstain
£	£	£

3. To approve the Amended and Restated Articles of Incorporation

For	Against	Abstain
£	£	£

4. To ratify the appointment of Epstein, Weber & Conover, P.L.C., as our independent auditors for the fiscal year ending September 30, 2007:

For	Against	Abstain
£	£	£

4. In their discretion, the Proxy is authorized to vote upon such other business as may properly come before this meeting.

For	Against
£	£

Please disregard the following if you have previously provided your consent decision:

£ By checking the box to the left, I consent to future delivery of annual reports, proxy statements, prospectuses, other materials, and shareholder communications electronically via the Internet at a webpage that will be disclosed to me. I understand that the Company may no longer distribute printed materials to me regarding any future stockholder meeting until such consent is revoked. I understand that I may revoke my consent at any time by contacting the

Company's transfer agent, Registrar and Trust Company, 10 Commerce Drive, Cranford, NJ 07016 and that costs normally associated with electronic delivery, such as usage and telephone charges as well as any costs I may incur in printing documents, will be my responsibility.

IF YOU RETURN YOUR PROPERLY EXECUTED PROXY, WE WILL VOTE YOUR SHARES AS YOU DIRECT. IF YOU DO NOT SPECIFY ON YOUR PROXY HOW YOU WANT TO VOTE YOUR SHARES, WE WILL VOTE THEM FOR PROPOSAL 1, 2, AND 3 IN THE DISCRETION OF THE PROXY ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENTS THEREOF.

^ Detach above card, sign, date and mail in postage paid envelope provided. ^

YP CORP.

Please sign EXACTLY as your name appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such. If more than one trustee, all should sign. If shares are held jointly, both owners must sign.

THIS PROXY CARD IS VALID WHEN SIGNED AND DATED.
MAIL YOUR PROXY CARD TODAY.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.
