



Audit Committee Charter

Introduction

Executive management of YP Corp. (the "Company") is primarily responsible for the completeness and accuracy of the Company's financial statements and reporting and the adequacy of its internal financial and operating controls. The Company's Board of Directors (the "Board") is responsible for overseeing management's exercise of these responsibilities. To assist the Board, the Company has established an Audit Committee (the "Committee"). The authority and responsibilities of the Committee are described in this Charter.

Purpose

This Charter broadly defines the Committee's objectives, the range of its authority, the scope of its activities, and its duties and responsibilities. The Committee and the Board shall review and assess the adequacy of this Charter annually.

The purpose of the Committee is to assist the Board in overseeing (i) the integrity of the Company's accounting and financial reporting processes, the audits of the Company's financial statements, as well as systems of internal controls regarding finance, accounting, and legal compliance; (ii) the Company's compliance with legal and regulatory requirements; (iii) the qualifications, independence and performance of the Company's independent auditors; (iv) the Company's financial risk; and (v) the Company's internal audit function. In carrying out this purpose, the Committee shall maintain and facilitate free and open communication between the Board, the independent auditors and the Company's management.

Committee Membership

The Committee shall consist of at least three directors, each of whom shall be appointed by the Board. Except as otherwise permitted by applicable law, rules, regulations, exchange listing standards and/or Section 301 of the Sarbanes-Oxley Act of 2002, each member of the Committee must be "independent" as defined for purposes of such law, rules, regulations and/or listing standards, including rules promulgated by the U.S. Securities and Exchange Commission (the "SEC"). Together with the Company's Chief Financial Officer, the Committee shall monitor its members throughout the year to confirm that they all remain "independent."

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. In addition, at least one member must be financially sophisticated in that he or she must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background, which results in the individual's financial sophistication, including, but not limited to, being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Unless otherwise determined by the Board (in which case disclosure of such determination shall be made in the Company's Annual Report filed with the SEC, at least one member of the Committee shall be designated an "audit committee financial expert" as defined by SEC rules and regulations.

Unless the Board elects a Chair of the Committee, the Committee shall elect a Chair by majority vote. The compensation of Committee members shall be determined by the Board. No member of the Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fees paid in his or her capacity as a member of the Board or a committee of the Board. Members of the Committee shall be appointed by the Board, upon the recommendation of the Governance and Nominating Committee or the full Board in the absence of such committee. The Board may remove members of the Committee in its sole discretion.

Authority and Responsibilities

A. General. The Committee is vested with all responsibilities and authority required by Rule 10A-3 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall discharge these responsibilities, and shall assess the information provided by the Company's management and the independent auditor, in accordance with its business judgment. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's

unaudited interim financial statements. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Committee to plan or conduct any audit, to determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee the independent auditor's report.

B. Oversight of Independent Auditors.

1. *Selection.* The Committee shall be solely and directly responsible for appointing, evaluating, retaining and, when necessary, terminating the engagement of the independent auditor. The Committee may, in its discretion, seek stockholder ratification of the independent auditor it appoints.
2. *Independence.* The Committee shall take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditor. In connection with this responsibility, the Committee shall obtain and review a formal written statement from the independent auditor describing all relationships between the independent auditor and the Company, including the disclosures required by Independence Standards Board Standard No. 1. The Committee shall actively engage in dialogue with the independent auditor concerning any disclosed relationships or services that might impact the objectivity and independence of the auditor.
3. *Discussion with Auditors.* On an annual basis, the Committee will discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (as amended by Statements on Auditory Standards Nos. 89 and 90), including the auditors' responsibilities, difficulties and problems encountered in performing the audit, including any restrictions on the scope of the independent auditors' activities or on access to requested information and management's response.
4. *Compensation.* The Committee shall have sole and direct responsibility for setting the compensation of the independent auditor. The Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of the independent auditor established by the Committee.
5. *Preapproval of Services.* The Committee shall preapprove all audit services to be provided to the Company, whether provided by the principal auditor or other firms, and all other non-audit services (review, tax compliance and planning and attestation) to be provided to the Company by the independent auditor; provided, however, that de minimis non-audit services may instead be approved in accordance with applicable SEC rules.
6. *Oversight.* The independent auditor shall report directly to the Committee, and the Committee shall have sole and direct responsibility for overseeing the work of the independent auditor, including resolution of disagreements between Company management and the independent auditor regarding financial reporting. In connection with its oversight role, the Committee shall, from time to time as appropriate, receive and consider the reports required to be made by the independent auditor regarding:
 - the scope of and the plan for the annual audit, including any significant changes required to the scope of or the plan for the annual audit;
 - critical accounting policies and practices;
 - alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with Company management, including ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the independent auditor and the independent auditor's views about the quality, not just the acceptability of such treatment; and
 - other material written communications between the independent auditor and Company management.

In connection with its oversight role, the Committee should also review with the independent auditors, from time to time as appropriate:

- significant risks and uncertainties with respect to the quality, accuracy or fairness of presentation of the Company's financial statements;
- recently disclosed problems with respect to the quality, accuracy or fairness of presentation of the financial statements of companies similarly situated to the Company and recommended actions that might be taken to prevent or mitigate the risk of problems at the Company arising from such matters;
- any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise);
- any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement;
- any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company and management responses thereto (focus should include adequacy of Company's internal controls, including computer systems controls and security);
- accounting for unusual transactions;

- adjustments arising from audits that could have a significant impact on the Company's financial reporting process;
- any recent SEC comments on the Company's SEC reports, including in particular any unresolved or future-compliance comments; and
- effects of any accounting initiatives, as well as off balance sheet structures, if any.

In addition, the Committee shall periodically review and evaluate the lead partner and other senior members of the independent auditor.

7. *Disagreements.* The independent auditor, Company management (including the Chief Financial Officer or the Controller) and the head of the Company's internal auditing, if any, should promptly contact the Committee or its Chair about any significant issue or disagreement concerning the Company's accounting practices or financial statements that is not resolved to their satisfaction. If the Chair is contacted about such an issue, he or she shall confer with the independent auditor about the issue and decide whether it is necessary to contact the other members of the Committee prior to the next scheduled meeting of the Committee.

C. Audited Financial Statements.

1. *Review and Discussion.* The Committee shall review and discuss with the Company's management and independent auditor the Company's audited financial statements, including the matters about which Statement on Auditing Standards No. 61 requires discussion and such other matters as the Committee deems appropriate.
2. *Recommendation to Board Regarding Financial Statements.* The Committee shall consider whether it will recommend to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-KSB or 10-K, as applicable.
3. *Audit Committee Report.* If required by the applicable rules and regulations of the SEC, the Committee shall prepare an annual committee report for inclusion where necessary in the proxy statement of the Company relating to its annual meeting of security holders.

D. Review of Other Financial Disclosures.

1. *Independent Auditor Review of Interim Financial Statements.* The Committee shall direct the independent auditor to perform all reviews of interim financial information prior to disclosure by the Company of such information and to discuss promptly with the Committee and the Chief Financial Officer any matters identified in connection with the auditor's review of interim financial information, which are required to be discussed by applicable auditing standards. The Committee shall direct management to advise the Committee in the event that the Company proposes to disclose interim financial information prior to completion of the independent auditor's review of interim financial information.
2. *Financial Results Release and Other Financial Information.* The Committee shall discuss generally the types of information to be disclosed in the Company's financial results press releases, as well as in financial information and earnings guidance provided to analysts, rating agencies and others.
3. *Quarterly Financial Statements.* The Committee shall discuss with the Company's management and independent auditor the Company's quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

E. Controls and Procedures.

1. *Oversight.* The Committee shall coordinate the Board's oversight of the Company's internal controls over financial reporting, the Company's disclosure controls and procedures and the Company's code of conduct. The Committee shall receive and review the reports of the Chief Executive Officer and the Chief Financial Officer required by Rule 13a-14 of the Exchange Act.
2. *Procedures for Complaints.* The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Committee shall periodically review these procedures to confirm that they are operating effectively.
3. *Related Party Transactions.* The Committee shall review all related party transactions (defined as transactions required to be disclosed pursuant to Item 404 of Regulation S-K or Regulation S-B, as applicable) on an ongoing basis, and all such transactions must be approved by the Committee.
4. *Internal Audit Function.* The Committee shall coordinate the Board's oversight of the performance of the Company's

internal audit function, if any.

5. *Risks and Exposures.* The Committee shall inquire of management and the independent auditor about significant risks or exposures facing the Company; assess the steps management has taken or proposes to take to minimize such risks to the Company; and periodically review compliance with such steps.
6. *Evaluation of Financial Management.* The Committee shall coordinate with the Compensation Committee the evaluation of the Company's financial management personnel.
7. *Officers' Expense Accounts.* The Committee shall review with management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets.
8. *Legal and Regulatory Matters.* The Committee shall review with the Company's primary counsel legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements, related compliance policies, and programs and reports received from regulators.
9. *Code of Business Conduct and Ethics.* The Committee shall periodically review the Company's Code of Business Conduct and Ethics to ensure that it is adequate and up-to-date. Review with the Company's primary counsel the results of their review of the monitoring of compliance with the Company's Code of Business Conduct and Ethics.
10. *Additional Powers.* The Committee shall have such other duties as may be assigned by law, the Company's Bylaws or as may be delegated from time to time by the Board.

F. Qualified Legal Compliance Committee. The Committee is hereby designated and shall constitute a "qualified legal compliance committee" ("QLCC") within the meaning of rules issued by the SEC. As the Company's QLCC, the Committee shall be responsible for handling reports submitted by legal counsel of evidence of a material violation of the securities laws or a breach of a fiduciary duty by the Company or any of its directors, officers, employees or agents. The QLCC shall inform the Board, Chief Executive Officer and General Counsel, if any, of any report of evidence of these violations, determine whether an investigation is necessary, and take appropriate action to address these reports. If the QLCC determines that an investigation is necessary or appropriate, it is authorized to initiate an investigation. At the conclusion of any such investigation, the QLCC shall inform the Board, the Chief Executive Officer and the General Counsel, if any, of the results of the investigation and recommend the appropriate remedial measures to be taken. The QLCC is authorized to take all other appropriate action, including notifying the SEC, if the Company fails in any material respect to implement an appropriate response recommended by the QLCC.

Procedures and Administration

- A. **Meetings.** The Committee shall meet as often as it deems appropriate or necessary, but no less than quarterly. The Committee may also act by unanimous written consent in lieu of a meeting. The Committee shall also periodically meet separately with (i) the independent auditor; (ii) Company management, including inquiry with the CEO and CFO regarding the quality of financial reporting of the Company from a subjective, as well as an objective standpoint, (iii) the Company's internal auditors, if any and (iv) the Company's primary counsel. The Committee shall keep such records of its meetings as it shall deem appropriate.
- B. **Subcommittees.** The Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), as it deems appropriate from time to time under the circumstances. Any decision of a subcommittee to preapprove audit, review, attestation or non-audit services shall be presented to the full Committee at its next scheduled meeting.
- C. **Reports to Board.** The Committee shall report regularly to the Board.
- D. **Charter.** At least annually, the Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval, including any changes necessary as a result of new laws and regulations.
- E. **Independent Advisors.** The Committee is authorized, without further action by the Board, to engage such independent legal, accounting, auditors other than the principal auditors and other advisors as it deems necessary or appropriate to carry out its duties, provided that the Committee advises the Board of any such engagement. Such independent advisors may be the regular advisors to the Company. The Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of such advisors as established by the Committee.
- F. **Investigations.** The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Committee or any advisors engaged by the Committee.

- G. **Funding.** The Committee is empowered, without further action by the Board, to cause the Company to pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- H. **Self Assessment.** At least annually, the Committee shall conduct a self-ssessment to review the Committee's effectiveness, including the creation of an agenda for the ensuing year.