

David R. Grow	47	Chief Financial Officer	2003
G. Douglas Smith	34	Executive Vice President	1997
Kenneth D. Krogue	38	Executive Vice President	1997

All directors hold office until the next annual meeting of stockholders and until their successors are elected and qualify. Officers serve at the discretion of our Board. The following is information on the business experience of each director and officer.

Theodore Stern became a director of Buyers United in June 1999 and subsequently the Chief Executive Officer in September 2000. Mr. Stern has served as a director of Northern Power Systems of Waitsfield, Vermont, a manufacturer of renewable generation systems, since September 1998. During the last five years Mr. Stern has been self-employed as a consultant to manufacturing companies.

Gary Smith became a director of Buyers United in June 1999. During the past five years he has been self-employed as a business consultant.

Edward Dallin Bagley became a director of Buyers United in June 1999. He has been self-employed as an attorney and investor for the past five years. During that time he has also served as a director of Tunex International, Inc., an automotive tune-up franchise company based in Salt Lake City, Utah, and Clear One Communications, Inc., a manufacturer of electronic products based in Salt Lake City, Utah.

Steve Barnett has been self-employed for the past five years as a consultant to manufacturing and distribution companies on improving operations and business restructuring. He has continued to purchase and manage privately-held manufacturing companies, as well as serving on the boards of non-owned private companies in connection with his consulting services. For over five years, Mr. Barnett has been a director of Chicago's Jewish Federation and Jewish United Fund, and a Vice Chairman of the Board of Directors since 1997. He is also a Director of Bank Leumi USA.

Paul Jarman has served as an officer of Buyers United during the past five years, first as an Executive Vice President and as President since December 2002.

David R. Grow, a Certified Public Accountant, joined Buyers United in June 2003 and currently serves as its Chief Financial Officer. From January 2002 to June 2003, Mr. Grow served as the Chief Financial Officer and member of the Board of Directors of Spectrum Engineers, Inc., a mechanical and electrical engineering firm in Salt Lake City, Utah. From February 2000 to January 2002, he served as the Chief Financial Officer and member of the Board of Directors of webBASIS, Inc., a web-based software development company

in Bakersfield, California. During the two-year period prior to February 2000, he served as the Chief Financial Officer of Daw Technologies, Inc., a manufacturer and installer of cleanrooms for the semiconductor industry, based in Salt Lake City, Utah.

G. Douglas Smith has served as an Executive Vice President of Buyers United during the past five years.

Kenneth D. Krogue has served as an Executive Vice President of Buyers United during the past five years.

Board Meetings and Committees

The Board met 13 times during the year ended December 31, 2003. All directors attended at least 75 percent of the meetings of the Board. During 2000, the Board formed the Compensation Committee, the members of which are Edward Dallin Bagley (Chairman), Steve Barnett, and Gary Smith. The Compensation Committee considers salary and benefit matters for the executive officers and key personnel of the Company. The Compensation Committee met five times in 2003, and all director members of the committee attended at least 75 percent of the meetings. In 2000, the Board also formed the Audit Committee, the members of which are Steve Barnett (Chairman) and Edward Dallin Bagley. The Audit Committee is responsible for financial reporting matters, internal controls, and compliance with the Company's financial policies, and meets with its auditors when appropriate. The Audit Committee met twice in 2003, and all director members of the committee attended the meetings. The Board has determined that Steve Barnett is serving as the audit committee financial expert within the meaning of Item 401(e) of Regulation S-B.

Board Compensation

Each Director received a monthly director fee of \$1,000 during 2003. The past practice of the Board is to compensate directors for their annual service by issuing to each of them options to purchase 25,000 shares of common stock exercisable over a term of five years from the date of issue. Pursuant to this practice, each director received 25,000 options in March 2002 with an exercise price of \$2.50 per share, and in November 2002 (for year 2003) with an exercise price of \$2.00 per share. It has also been the past practice of the Board to compensate the Chairman of the Board, and beginning with those issued for 2003, the Chairman of the Audit Committee, for their annual service by issuing to each of them options to purchase 15,000 shares of common stock exercisable over a term of five years from the date of issue. Pursuant to this practice, Theodore Stern received as Chairman of the Board 15,000 options in March 2002 and November 2002, with exercise prices of \$2.50 and \$2.00 per share, respectively. Steve Barnett received as Chairman of the Audit Committee 15,000 options in November 2002 (for year 2003) with an exercise price of \$2.00 per share.

The Director Stock Option Plan was adopted by the Board in May 2003 and approved by the stockholders in June 2003. The purposes of the plan are to attract, motivate and retain experienced and knowledgeable directors by offering them opportunities to increase their stock ownership interest in Buyers United. Each person serving as a director on the date options are issued under the plan is eligible to participate. The persons serving as Chairman of the Board and Chairman of the Audit Committee on the date options are issued for those positions under the plan are eligible to participate.

The Board has authorized the issuance or delivery of options to purchase an aggregate of 1,000,000 shares of common stock under the plan, subject to customary antidilution and other adjustments provided for in the plan. Each person serving as a director on March 1 of

each year is entitled to receive an option to purchase 25,000 common shares at an exercise price per share equal to the average fair market value on that date, but in no event less than the conversion price for the Series B Convertible Preferred Stock of Buyers United, which is now \$2.00 per share. On the dates the Board appoints the Chairman of the Board and Chairman of the Audit Committee to serve for the next year, each person so appointed is entitled to receive an option to purchase 15,000 common shares at an exercise price per share equal to the average fair market value on that date, but in no event less than the conversion price for the Series B Convertible Preferred Stock of Buyers United. Each option issued under the plan is exercisable over a term of five years. The number of options issuable each year under the plan, as well as options outstanding under the plan, is subject to customary antidilution and other adjustments provided for in the plan.

Options issued under the plan are not exclusive and the plan does not limit the authority of the Board or its committees to grant awards or authorize any other compensation, with or without reference to shares, under any other plan or authority.

The plan is administered by a committee, which is either the Board of Directors or a committee appointed by the Board for such purpose. The Board of Directors has not appointed a committee to administer the plan, so the entire Board is now the committee administering the plan. Subject to the limitations of the plan, the committee has broad authority under the plan, including, for example, the authority:

- o To construe and interpret this plan;
- o To make all other determinations required by this plan;
- o To maintain all the necessary records for the administration of this plan; and
- o To make and publish forms, rules and procedures for administration of the plan.

In 2004 the Board, and each of our directors individually, agreed to renounce their right to receive options under the plan for 2004, and instead receive options outside the plan for a lower number of shares. Accordingly, the Board approved in January 2004 the issuance to each director of options to purchase 10,000 shares of common stock and to Steve Barnett as chairman of the Audit Committee options to purchase 5,000 additional shares. All of the options are exercisable over a term of five years at \$3.05 per share, which was the market price for our common stock in the public market on the date of grant.

Code of Ethics

Buyers United has adopted a Code of Ethics applicable to its chief executive officer and chief financial officer, a copy of which is included as an exhibit to this report.

Section 16(a) Filing Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires officers and directors of Buyers United and persons who own more than ten percent (10%) of a registered class of its equity securities to file reports of ownership and changes in their ownership on Forms 3,

4, and 5 with the Securities and Exchange Commission, and forward copies of such filings to Buyers United. Based on the copies of filings received by Buyers United, during the most recent fiscal year the directors, officers, and beneficial owners of more than ten percent (10%) of the equity securities of Buyers United registered pursuant to Section 12 of the Exchange Act have filed on a timely basis all required Forms 3, 4, and 5 and any amendments thereto except for Dallin Bagley, who filed one Form 4 late.

ITEM 10. EXECUTIVE COMPENSATION

Annual Compensation

The table on the following page sets forth certain information regarding the annual and long-term compensation for services in all capacities to Buyers United for the prior fiscal years ended December 31, 2003, 2002, and 2001, of those persons who were either (i) the chief executive officer during the last completed fiscal year or (ii) one of the other four most highly compensated executive officers as of the end of the last completed fiscal year whose annual salary and bonuses exceeded \$100,000 (collectively, the "Named Executive Officers").

Name and Principal Position	Year	Annual Compensation	Long Term Compensation	All Other Compensation (\$)
		Salary (\$)	Securities Underlying Options/SARs (#)	
Theodore Stern	2003	-0-	36,300	74,750
Chairman and Chief	2002	-0-	80,000	70,000
Executive Officer	2001	-0-	40,000	70,000
Paul Jarman	2003	132,808	-0-	18,463
President and Director	2002	125,000	11,668	21,481
	2001	122,710	-0-	57,067
G. Douglas Smith	2003	132,808	-0-	18,463
Executive Vice President	2002	125,000	7,668	21,252
	2001	124,405	178,334	-0-
Kenneth D. Kroque	2003	137,698	-0-	18,463

Executive Vice President 2002 123,538 106,739 22,282 2001 109,851 40,000 13,866

Stock Options

The following table sets forth certain information with respect to grants of stock options during 2003 to the Named Executive Officers.

Name and Principal Position	Number of Securities Underlying Options Granted	% of total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date
Theodore Stern Chairman, Chief Executive Officer	-0-	-	-	-
Paul Jarman	12,000	1.8	\$2.42	01/15/08
President and Director	12,500	1.8	\$2.40	09/24/08
	150,000	21.9	\$2.50	11/11/08
G. Douglas Smith Executive Vice President	-0-	-	-	-
Kenneth D. Kroque Executive Vice President	-0-	-	-	-

The following table sets forth certain information with respect to unexercised options held by the Named Executive Officers. No outstanding options held by the Named Executive Officers were exercised in 2003.

Name and Principal Position	Number of Securities Underlying Unexercised Options at Fiscal Year End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options At Fiscal Year End (\$) (1) Exercisable/ Unexercisable
-----	-----	-----

Theodore Stern Chairman, Chief Executive Officer	172,500 / -0-	\$88,200 / -0-
Paul Jarman President and Director	452,966 / 150,000	\$152,848 / \$82,500
G. Douglas Smith Executive Vice President	624,916 / -0-	\$262,218 / -0-
Kenneth D. Krogue Executive Vice President -----	333,770 / -0-	\$199,664 / -0-

(1) This value is determined on the basis of the difference between the fair market value of the securities underlying the options and the exercise price at December 31, 2003. The fair market value of Buyers United's common stock at December 31, 2003 is determined by the last sale price on that date, which was \$3.05 per share.

Description of Long Term Stock Incentive Plan

The purpose of the Long Term Stock Incentive Plan (the "Plan") is to provide directors, officers, employees, and consultants with additional incentives by increasing their ownership interests in Buyers United. Directors, officers, and other employees of Buyers United and its subsidiaries are eligible to participate in the Plan. In addition, awards may be granted to consultants providing valuable services to Buyers United. As of December 31, 2003, Buyers United and its affiliates employed approximately 190 individuals who are eligible to participate in the Plan. The Board grants awards under the Plan. Awards may include incentive stock options, non-qualified stock options, stock appreciation rights, stock units, restricted stock, restricted stock units, performance shares, performance units, or cash awards.

The Board has discretion to determine the terms of an award under the Plan, including the type of award, number of shares or units covered by the award, option price, term, vesting schedule, and post-termination exercise period or payment. Notwithstanding this discretion: (i) the number of shares subject to an award granted to any individual in any calendar year may not exceed 100,000 shares; (ii) the option price per share of common stock may not be less than 100 percent of the fair market value of such share at the time of grant or less than 110% of the fair market value of such shares if the option is an incentive stock option granted to a stockholder owning more than ten percent of the combined voting power of all classes of the stock of Buyers United (a "10% stockholder"); and (iii) the term of any incentive stock option may not exceed 10 years, or five years if the option is granted to a 10% stockholder. As of December 31, 2003, awards in the form of qualified incentive stock options to purchase a total of 863,639 shares were outstanding under the Plan.

A maximum of 1,200,000 shares of common stock may be subject to outstanding awards, determined immediately after the grant of any award under the Plan. Shares of common stock, which are attributable to awards that have expired, terminated, or been canceled or forfeited during any calendar year, are available for issuance or use in connection with future awards.

The Plan was effective March 11, 1999, and is not limited in duration. No incentive stock option may be granted more than 10 years after the effective date. The Plan may be amended by the Board without the consent of the stockholders, except that stockholder approval is required for any amendment that materially increases the aggregate number of shares of stock that may be

issued under the plan or materially modifies the requirements as to eligibility for participation in the Plan.

ITEM 11. SECURITY OWNERSHIP OF BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 15, 2004, the number and percentage of the outstanding shares of common stock and warrants and options that, according to the information supplied to Buyers United, were beneficially owned by (i) each person who is currently a director, (ii) each executive officer, (iii) all current directors and executive officers as a group and (iv) each person who, to the knowledge of Buyers United, is the beneficial owner of more than five percent of the outstanding common stock. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

Name and Address -----	Common Shares -----	Percent of Class (1) -----
Principal stockholders: -----		
I-Link Incorporated 9775 Business Park Avenue San Diego, CA 92131	808,546	6.2
Officers and Directors: -----		
Theodore Stern (2) 2970 One PPG Place Pittsburgh, PA 15222	2,694,435	18.1

Gary Smith (2) (3) 14870 Pony Express Road Bluffdale, UT 84065	520,084	4.0
Edward Dallin Bagley (2) 2350 Oakhill Drive Salt Lake City, UT 84121	1,371,954	9.9
Steve Barnett (2) 666 Dundee Road, Suite 1704 Northbrook, IL 60062	394,949	3.0
Paul Jarman (2) 14870 Pony Express Road Bluffdale, UT 84065	742,052	5.5
David R. Grow (2) 14870 Pony Express Road Bluffdale, UT 84065	150,000	1.2
G. Douglas Smith (2) (3) 14870 Pony Express Road Bluffdale, UT 84065	688,768	5.1
Kenneth D. Kroque (2) 14870 Pony Express Road Bluffdale, UT 84065	352,226	2.6
All Executive officers and Directors as a Group (8 persons)	6,614,468	37.9

(1) These figures represent the percentage of ownership of the named individuals assuming each of them alone has exercised his or her options or conversion rights to purchase common shares, and percentage ownership of all officers and directors as a group, assuming all purchase and conversion rights held by such individuals are exercised.

(2) These figures include: for Mr. Stern Series A and B Preferred Stock convertible to 377,500 shares of common stock, warrants to purchase 680,000 shares of common stock at exercise prices ranging from \$2.00 to \$2.50 per share, options to purchase 102,500 shares of common stock at exercise prices ranging from \$2.50 to \$5.06 per share, and 766,250 common shares for which outstanding promissory notes are convertible at rates of between \$2.50 and \$2.00; for Mr. Gary Smith options to purchase 122,500 shares at prices ranging from \$2.00 to \$5.06 per share; for Mr. Bagley Series A and B Preferred Stock convertible to 157,500 shares of common stock, warrants to purchase 275,000 shares of common stock at exercise prices ranging from \$2.00 to \$2.50 per share, options to purchase 47,500 shares of common stock at exercise prices ranging from \$3.05 to \$5.06, and 375,000 common shares for which outstanding

promissory notes are convertible at the rate of \$2.00 per share; for Mr. Barnett Series A Preferred Stock convertible to 20,000 shares of common stock and options to purchase 130,000 shares at exercise prices ranging from \$2.00 to \$5.06 per share; for Mr. Jarman options to purchase 452,966 shares of common stock at exercise prices ranging from \$2.00 to \$5.39 per share; for Mr. G. Douglas Smith options to purchase 624,916 shares of common stock at exercise prices ranging from \$2.00 to \$5.39 per share; for Mr. Grow options to purchase 150,000 shares of common stock at exercise prices ranging from \$2.00 to \$3.05; and for Mr. Krogue options to purchase 333,770 shares of common stock at exercise prices ranging from \$2.00 to \$2.70 per share.

(3) Gary Smith is G. Douglas Smith's father.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following discussion includes certain relationships and related transactions that occurred during Buyers United's fiscal years ended December 31, 2003 and 2002.

Transactions with Theodore Stern

Beginning in December 2000 and continuing into 2003, Theodore Stern, the Chairman of the Board of Directors and Chief Executive Officer, made loans to Buyers United for working capital purposes. All of the loans bear interest at the rate of 12 percent per annum payable monthly and are unsecured. In consideration for many of the loans, we issued common stock to Mr. Stern and recorded the value of the stock at the market price on the date of issuance. The following table shows the date and principal amount of the loans, the maturity dates, the number of shares of common stock issued in consideration for the loans, and the value of the common stock:

Date of Loan -----	Maturity Date -----	Principal Amount (\$) -----	Number of Shares -----	Value of Shares (\$) -----
December 7, 2000	July 5, 2004	100,000	10,000	16,562
January 4, 2001	July 5, 2004	180,000	20,000	22,500
January 19, 2001	July 5, 2004	100,000	10,000	15,625
February 15, 2001	July 5, 2004	10,000	1,000	1,500
March 26, 2001	July 5, 2004	100,000	10,000	10,312
June 5, 2001	July 5, 2004	500,000*	50,000	60,000
June 15, 2001	July 5, 2004	150,000*	15,000	18,750
June 21, 2001	July 5, 2004	100,000*	10,000	12,500
June 26, 2001	July 5, 2004	50,000*	5,000	6,250
July 6, 2001	July 5, 2004	100,000*	10,000	11,000
July 18, 2001	July 5, 2004	150,000*	15,000	12,750
August 30, 2001	July 5, 2004	275,000*	27,500	22,000
September 5, 2001	July 5, 2004	100,000*	10,000	8,500

September 19, 2001	July 5, 2004	100,000*	10,000	6,800
October 15, 2001	July 5, 2004	50,000*	10,000	6,100
December 12, 2001	July 5, 2004	100,000*	10,000	6,400

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January 18, 2002	July 5, 2004	100,000*	10,000	10,000
December 20, 2002	December 20, 2004	112,500**	-0-	-0-
February 28, 2003	July 1, 2004	100,000***	-0-	-0-
July 5, 2003	July 5, 2005	86,563***	-0-	-0-
July 5, 2003	July 5, 2005	348,825	-0-	-0-

* Indicates the note is convertible into common stock at a rate of \$2.50 ** Indicates the note is convertible into common stock at a rate of \$2.00 *** This note was repaid in 2003

In October 2000, the Board approved a consulting agreement with Mr. Stern. Pursuant to this contractual arrangement Mr. Stern receives a monthly fee of \$6,250 and expense allowance of \$500 in connection with duties performed as our Chief Executive Officer. He earned, respectively, \$74,750 and \$70,000 in 2003 and 2002 under this arrangement, and \$6,250 remained unpaid as of December 31, 2003.

In November 2001, we agreed to issue 50,000 shares to Mr. Stern in consideration of extending the maturity date of the June 5, 2001 \$500,000 promissory note to July 5, 2003. The value of the shares was recorded at \$31,500. On December 4, 2001, we agreed to issue 156,500 shares to Mr. Stern in consideration of extending the maturity date of the remaining \$1,565,000 then owing in notes payable listed above to July 5, 2003. The value of the shares was recorded at \$93,900. All these notes were later extended further to July 5, 2004, but no additional compensation was paid to Mr. Stern.

In September 2001, Buyers United issued 25,000 shares to Mr. Stern in consideration for Mr. Stern's personal guaranty of Buyers United's payment obligations under a new contract with Global Crossing Communications, Inc., that provides telecommunication services to us for resale. The shares were valued at \$17,500 based on the then current market price.

In February 2002, Mr. Stern gave his personal guaranty of up to \$250,000 of obligations arising under our resale contract with MCI WorldCom, Inc. In consideration for providing the guaranty, we issued 25,000 shares to Mr. Stern valued at \$30,750 based on the then current market price.

In December 2002, Mr. Stern participated in providing funding for a deposit in connection with acquiring customers from Touch America, Inc. The total amount raised was \$3,187,500, of which total Mr. Stern contributed \$137,500 under terms identical to the other unaffiliated investors. All the unsecured promissory notes bear interest at 10 percent, payable monthly. Principal payments are also due monthly, based on 10 percent of the net billings collected from the Touch America customers during the prior calendar month, and the notes have no maturity date. As of December 31, 2003, we had repaid \$84,854 of the principal on this note.

On January 15, 2003, Mr. Stern gave his personal guaranty of up to \$250,000 of obligations arising under a resale contract with Williams Communications. In consideration for providing the guaranty, we issued 15,000 shares to Mr. Stern valued at \$36,300 based on the then current market price.

Transactions with other related parties

In October 2000, the Board approved a two-year consulting arrangement with Gary Smith, a member of the Board. No fees were actually paid to Mr. Smith during 2000, and up through October 2002, Mr. Smith was paid \$110,000 in fees under his consulting arrangement.

On January 15, 2002, Paul Jarman, G. Douglas Smith, and Kenneth D. Krogue made unsecured loans to Buyers United in the total principal amount of \$79,998, due July 15, 2003 and bearing interest at the rate of 12 percent per annum. In consideration for making the loans, Buyers United agreed to issue a total of 7,998 shares to these individuals valued at \$8,798 based on the market price on the date of issuance. These loans were repaid in July 2003.

At the end of 2002 and during the first part of 2003, Edward Dallin Bagley made two-year unsecured loans to Buyers United aggregating \$750,000. The notes bear interest at 12 percent payable monthly, and are convertible into 375,000 shares of common stock (conversion rate of \$2.00 per share).

In February 2003, Buyers United issued a 12 percent unsecured promissory note to Steve Barnett in exchange for a loan of \$50,000. Interest is payable monthly and the loan matures on July 1, 2004.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

Copies of the following documents are included as exhibits to this Form 10-KSB pursuant to Item 601 of Regulation S-B.

Exhibit No. -----	Title of Document -----
3.1	Certificate of Incorporation, as amended
3.2	Certificate of Designation of Preferred Stock (1)
3.3	By-Laws (1)
3.4	Series B Preferred Stock Designation (2)
10.1	Form of Warrant issued to lenders (2)
10.2	Form of Warrant issued as part of units with Series B Preferred Stock (2)
10.3	Form of option for employees and directors (3)
10.4	Long-Term Stock Incentive Plan (1)
10.5	Asset Purchase Agreement dated December 6, 2002, with I-Link Communications, Inc. and I-Link Incorporated, without exhibits (4)
10.6	Reconciliation Agreement dated March 9, 2004 with Acceris Communications and I-Link Communications (7)
10.7	Asset Purchase Agreement dated December 20, 2002 with Touch America, Inc., without exhibits (4)
10.8	Amendment No. 1 to the Asset Purchase Agreement dated December 20, 2002 that was made June 6, 2003 by Buyers United and Touch America (5)
10.9	Form of note agreement issued April to August 2002 to Noteholders (4)
10.10	Form of warrant agreement issued to certain noteholders (4)
10.11	Form of note agreement issued on December 20, 2002 to the noteholders who provided financing for the Touch America deposit, including as exhibits the form of note and warrant issued (4)
10.12	Cooperation and Management Agreement between Buyers United and MyACD, Inc., dated October 1, 2003, excluding:

Schedule I - Buyers United Existing Customers;
Schedule II - MyACD Customers;
Schedule III - Enhanced Services Marketing Budget;
Schedule IV - Monthly Budget Payments; and
Schedule V - Revised Wholesale Services Agreement Pricing (6)

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- 10.13 Purchase Option Agreement between Buyers United, Michael L. Shelton and David O. Peterson dated October 1, 2003, excluding:
Exhibit A - Form of Term Note;
Exhibit B - Form of Security and Pledge Agreement;
Exhibit C - Form of Term Note;
Exhibit D - Form of Security and Pledge Agreement;
Exhibit E - Form of Employment Agreement;
Exhibit F - Form of Stock Option Grant; and
Exhibit G - Form of Employment Agreement (6)
- 10.14 Form of Securities Purchase Agreement dated March 10, 2004 (7)
- 10.15 Form of registration Rights Agreement dated March 10, 2004 (7)
- 14.1 Code of Ethics
- 21.1 List of Subsidiaries
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) These documents were filed as exhibits to the Registration Statement on Form 10-SB filed by Buyers United with the Securities and Exchange Commission on August 3, 1999, and are incorporated herein by this reference.

(2) These documents were filed as exhibits to the annual report on Form 10-KSB for 2000 filed by Buyers United with the Securities and Exchange Commission on April 10, 2001, and are incorporated herein by this reference.

(3) This document was filed as an exhibit to the annual report on Form 10-KSB for 2001 filed by Buyers United with the Securities and Exchange Commission on April 16, 2002, and is incorporated herein by this reference.

(4) These documents were filed as exhibits to the annual report on Form 10-KSB for 2002 filed by Buyers United with the Securities and Exchange Commission on April 14, 2003, and are incorporated herein by this reference.

(5) This document was filed as an exhibit to the quarterly report on Form 10-QSB for June 30, 2003 filed by Buyers United with the Securities and Exchange Commission on August 14, 2003, and is incorporated herein by this reference.

(6) These documents were filed as exhibits to the quarterly report on Form 10-QSB for September 30, 2003 filed by Buyers United with the Securities and Exchange Commission on November 14, 2003, and are incorporated herein by this reference.

(7) These documents were filed as exhibits to the current report on Form 8-K filed by Buyers United with the Securities and Exchange Commission on March 17, 2004, and are incorporated herein by this reference.

Form 8-K Filings

There were no filings on Form 8-K during the three months ended December 31, 2003.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees and expenses billed by our principal accounting firm, Crowe Chizek and Company LLC for fees and expenses billed for fiscal years ended December 31, 2003 and 2002 are as follows:

	2003	2002
	-----	-----
Audit fees	\$ 77,890	\$ 99,361
Audit related fees	69,585	22,765
	-----	-----
Total audit and related fees	147,475	122,126
Tax fees	53,700	24,800
	-----	-----

Total fees

\$201,175
=====

\$146,926
=====

Audit related fees were for reviews of our filings on Form 10-QSB for 2003 and 2002, meetings with the Audit Committee, and work required by our filing of a registration statement on Form SB-2 for selling security holders in September 2003.

Each of the permitted non-audit services has been pre-approved by the Audit Committee or the Audit Committee's Chairman pursuant to delegated authority by the Audit Committee, other than de minimus non-audit services for which the pre-approval requirements are waived in accordance with the rules and regulations of the Securities and Exchange Commission.

The Audit Committee charter provides that the Audit Committee will pre-approve audit services and non-audit services to be provided by our independent auditors before the accountant is engaged to render these services. The Audit Committee may consult with management in the decision-making process, but may not delegate this authority to management. The Audit Committee may delegate its authority to pre-approve services to one or more committee members, provided that the designees present the pre-approvals to the full committee at the next committee meeting.

SIGNATURES

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

BUYERS UNITED, INC.

Date: March 29, 2004

By: /s/ Theodore Stern, Chief Executive Officer

Date: March 29, 2004

By: /s/ David R. Grow, Chief Financial Officer

In accordance with the Exchange Act, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 29, 2004

/s/ Theodore Stern, Director

Date: March 29, 2004

/s/ Steve Barnett, Director

Date: March 29, 2004

/s/ Gary Smith, Director

Date: March 29, 2004

/s/ Edward Dallin Bagley, Director

Date: March 29, 2004

/s/ Paul Jarman, Director

BUYERS UNITED, INC. AND SUBSIDIARY
Consolidated Financial Statements
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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Buyers United, Inc. and Subsidiary
Salt Lake City, Utah

We have audited the accompanying consolidated balance sheet of Buyers United, Inc. and Subsidiary as of December 31, 2003 and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buyers United, Inc. and Subsidiary as of December 31, 2003 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

Crowe Chizek and Company LLC

Oak Brook, Illinois
March 11, 2004, except for Note 14
as to which the date is March 15, 2004

BUYERS UNITED, INC.
CONSOLIDATED BALANCE SHEET
December 31, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,055,384
Restricted cash	1,569,336
Accounts receivable, net of allowance for uncollectible accounts of \$2,931,000	8,162,483
Other current assets	243,844

Total current assets	13,031,047
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Property and equipment, net	2,424,642
Intangible assets, net	8,018,682
Other assets	496,787

Total assets	\$ 23,971,158
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LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Line of credit	\$ 4,093,782
Current portion of long-term debt and capital lease obligations	7,781,484
Accounts payable	11,248,152
Accrued liabilities	1,828,864

Total current liabilities	24,952,282
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Long-term debt and capital lease obligations	646,126
--	---------

Total liabilities	25,598,408
-------------------	------------

Stockholders' deficit:

Preferred stock, \$0.0001 par value, 15,000,000 shares authorized; Series A 8% cumulative convertible preferred stock; 1,865,000 shares issued and outstanding (liquidation value of \$3,730,000)	187
Series B 8% cumulative convertible preferred stock; 721,729 shares issued and outstanding (liquidation value of \$7,217,290)	72
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 7,604,584 shares issued and outstanding	760
Additional paid-in capital	20,193,148
Warrants and options outstanding	3,928,110
Accumulated deficit	(25,749,527)

Total stockholders' deficit	(1,627,250)
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Total liabilities and stockholders' deficit

\$ 23,971,158

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See accompanying notes

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BUYERS UNITED, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2003	2002
Revenues	\$ 63,312,964	\$ 30,163,450
Operating expenses:		
Costs of revenues	34,597,486	16,295,201
General and administrative	14,830,565	7,365,569
Selling and promotion	10,839,529	4,646,029
Total operating expenses	60,267,580	28,306,799
Income from operations	3,045,384	1,856,651
Other income (expense):		
Interest income	13,513	17,980
Interest expense	(1,884,258)	(1,544,448)
Total other expense, net	(1,870,745)	(1,526,468)
Net income	\$ 1,174,639	\$ 330,183
8% Preferred dividends on Series A and B preferred stock	(873,495)	(749,725)
Net income (loss) applicable to common stockholders	\$ 301,144	\$ (419,542)

Net income (loss) per common share:

Basic	\$	0.05	\$	(0.07)
Diluted		0.04		(0.07)

Weighted average common shares outstanding:

Basic 6,378,047 5,740,811 Diluted 6,847,646 5,740,811

See accompanying notes

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BUYERS UNITED, INC. AND SUBSIDIARY **CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

Stock	Additional	Preferred Stock		Common
		Shares	Amount	Shares
-----	Paid-in	-----	-----	-----
Amount	Capital	-----	-----	-----
-----	-----			
Balance at December 31, 2001		2,433,800	\$ 244	5,312,629
\$ 531	\$15,190,855			
6	Conversion of preferred shares to common	(15,000)	(2)	55,000
	(4)			
2	Issuance of common shares in connection with notes payable	-	-	17,998
	18,796			
-	Issuance of warrants for services and with consulting agreements	-	-	-
	-			
	Amortization of deferred consulting fees	-	-	-

-	-			
	Issuance of warrants with notes payable	-	-	-
-	-			
	Issuance of common stock for debt guarantee	-	-	25,000
3	30,747			
	Imputed interest on notes payable	-	-	-
-	28,686			
	Cancellation of warrants issued for services	-	-	-
-	-			
	Preferred stock dividends	-	-	-
-	-			
	Issuance of common shares as payment of preferred stock dividends	-	-	574,635
57	750,296			
	Net income	-	-	-
-	-			
<hr/>				
	Balance at December 31, 2002	2,418,800	242	5,985,262
599	16,019,376			
	Conversion of preferred shares to common	(116,000)	(11)	580,000
58	(47)			
	Issuance of preferred stock in connection with the I-Link acquisition	283,929	28	-
-	1,613,855			
	Exercise warrants to purchase Common Stock, net of issuance costs	-	-	522,500
52	1,395,020			
	Exercise employee options to purchase Common Stock	-	-	27,500
3	54,997			
	Issuance of common shares in connection with notes repayment	-	-	50,000
5	(5)			
	Repurchase shares from stockholders	-	-	(2,774)
-	(4,851)			
	Amortization of deferred consulting fees	-	-	-
-	-			
	Issuance of warrants for services	-	-	-
-	-			
	Issuance of common stock for debt guarantee	-	-	15,000
1	36,298			
	Imputed interest on notes payable	-	-	-
-	5,312			
	Cancellation of warrants issued for services	-	-	-
-	304,690			
	Preferred stock dividends	-	-	-
-	-			
	Issuance of common shares as payment of preferred stock dividends	-	-	427,096

42	768,503			
	Net income	-	-	-
-	-			
-----	-----	-----	-----	-----
	Balance at December 31, 2003	2,586,729	\$ 259	7,604,584
\$ 760	\$20,193,148	=====	=====	=====
=====	=====			

-continued-

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**BUYERS UNITED, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

	Warrants/ Options	Deferred Consulting	
Accumulated	Outstanding	Fees	Deficit
Total	-----	-----	-----
Balance at December 31, 2001	\$4,383,334	\$ (98,406)	
\$(25,631,129) \$(6,154,571)			
Conversion of preferred shares to common	-	-	
-			
Issuance of common shares in connection with notes payable	-	-	
- 18,798			
Issuance of warrants for services and with consulting agreements	102,118	-	
- 102,118			
Amortization of deferred consulting fees	-	73,232	
- 73,232			
Issuance of warrants with notes payable	232,259	-	
- 232,259			
Issuance of common stock for debt guarantee	-	-	
- 30,750			
Imputed interest on notes payable	-	-	

-	28,686		
	Cancellation of warrants issued for services	(125,197)	-
-	(125,197)		
	Preferred stock dividends	-	-
(749,725)	(749,725)		
	Issuance of common shares as payment of preferred stock dividends	-	-
-	750,353		
	Net income	-	-
330,183	330,183		

--			
	Balance at December 31, 2002	4,592,514	(25,174)
	(26,050,671) (5,463,114)		
	Conversion of preferred shares to common	-	-
-	-		
	Issuance of preferred stock in connection with the I-Link acquisition	-	-
-	1,613,883		
	Exercise warrants to purchase Common Stock, net of issuance costs	(385,055)	-
-	1,010,017		
	Exercise employee options to purchase Common Stock	-	-
-	55,000		
	Issuance of common shares in connection with notes repayment	-	-
-	-		
	Repurchase shares from stockholders	-	-
-	(4,851)		
	Amortization of deferred consulting fees	-	25,174
-	25,174		
	Issuance of warrants for services	25,341	-
-	25,341		
	Issuance of common stock for debt guarantee	-	-
-	36,299		
	Imputed interest on notes payable	-	-
-	5,312		
	Cancellation of warrants issued for services	(304,690)	-
-	-		
	Preferred stock dividends	-	-
(873,495)	(873,495)		
	Issuance of common shares as payment of preferred stock dividends	-	-
-	768,545		
	Net income	-	-
1,174,639	1,174,639		

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Balance at December 31, 2003
 \$(25,749,527) \$(1,627,250)

\$3,928,110 \$ -

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See accompanying notes

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BUYERS UNITED, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2003	2002
Cash flows from operating activities:		
Net income	\$ 1,174,639	\$ 330,183
Adjustments to reconcile net income to netcash used in operating activities:		
Depreciation and amortization	3,863,516	1,191,196
Amortization included in interest expense resulting from issuing stock with notes	5,312	28,686
Amortization of discount on notes payable	414,301	237,444
Amortization of note financing costs	115,182	174,977
Amortization of deferred consulting fees	25,174	73,232
Expense related to the grant of options to purchase common shares	-	(23,079)
Changes in operating assets and liabilities:		
Accounts receivable	(2,512,269)	(3,378,341)
Other assets	(697,427)	(2,379,009)
Checks in excess of available cash balances	-	(186,866)
Accounts payable	4,711,897	1,821,236
Accrued liabilities	278,315	432,183
Net cash provided by (used in) operating activities	7,378,640	(1,678,158)
Cash flows from investing activities:		
Increase in other assets	(167,360)	(194,915)
Purchases of property and equipment	(1,574,986)	(317,399)
Purchase of customer accounts	-	(3,000,000)

Net cash used in investing activities	(1,742,346)	(3,512,314)
Cash flows from financing activities:		
Restricted cash	(985,334)	106,310
Net borrowings and payments under line of credit	2,817,530	702,080
Borrowings under notes payable, net of debt issuance costs	2,299,955	7,818,850
Principal payments on notes payable and other long-term obligations	(8,767,587)	(2,499,508)
Exercise of warrants and employee options, net of offering costs	1,065,018	-
Repurchase of shares from stockholders with less than 100 shares	(4,852)	-
Net cash provided by (used in) financing activities	(3,575,270)	6,127,732
Net increase in cash and cash equivalents	2,061,024	937,260
Cash at the beginning of the period	994,360	57,100
Cash at the end of the period	\$ 3,055,384	\$ 994,360

See accompanying notes

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BUYERS UNITED, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2003	2002
Supplemental cash flow information:		
Cash paid for interest	\$1,208,543	\$ 890,490

Supplemental schedule of noncash investing and financing activities:

Issuance of common shares in payment of preferred stock dividend	\$ 768,574	\$ 750,353
Issuance of common shares in payment of deferred financing costs	-	18,793
Issuance of common shares for officer's personal guaranty	36,300	30,750
Issuance of warrants with promissory notes	-	232,259
Accrual of dividend payable on preferred stock	873,495	749,725
Retire and replace note payable	800,000	-
Acquire customers from Touch America	3,411,421	-
Acquire customers from Glyphics, Inc.	543,558	-
Issuance of preferred stock to acquire VoIP Network assets	1,705,236	-
Convert accrued interest to note payable	435,388	-
Capital expenditures financed with capital lease obligation	100,691	-

See accompanying notes

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NOTE 1 - DESCRIPTION OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Buyers United, Inc. ("the Company") was incorporated on August 23, 1994 in the state of Utah and was reincorporated in the state of Delaware on April 9, 1999. During 2003, the Company established a wholly-owned subsidiary in Virginia for the purpose of conducting business in that state.

Buyers United is an aggregator and provider of telecommunications services. The Company contracts with a number of third party providers for the right to resell the various telecommunication services and products they provide, and then offers all of these various services to its customers. The Company also operates a dedicated VoIP Network, and advanced customer contact handling/management software applications that enable it to offer enhanced services to customers. The variety of services and products the Company offers allows the customer to buy only those telecommunications services it needs from one source, combine those services in a customized package, receive one bill for those services, and make one call to Buyers United if a service problem or billing issue arises.

Summary of Significant Accounting Policies

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Buyers United, Inc. and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include the allowance for doubtful accounts and attrition rates used to determine the estimated useful lives of customer lists acquired.

Revenue Recognition: The Company's revenue recognition policy with respect to reseller agreements is to record gross revenues and receivables from customers when the Company acts as principal in the transaction; takes title to the products or services; and has risks and rewards of ownership, such as risk of loss for collection, delivery, or returns. Revenues from sales of services are recognized upon providing the services to the customers.

Cash and cash equivalents: All highly liquid assets with an original maturity of three months or less are considered to be cash equivalents.

Restricted Cash: In accordance with the Company's agreements with RFC Capital Corp. (Note 5) and with certain vendors, the Company maintains a restricted cash account for the collection of the Company's receivables. As of December 31, 2003, the Company had \$1.6 million of cash that was restricted.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable is comprised of amounts billed and billable to customers, net of an allowance for uncollectible amounts. The accounts receivable balance outstanding as of December 31, 2003 is comprised of the following:

Billed amounts	\$ 9,863,111
Unbilled amounts	1,230,372

	11,093,483
Less: allowance for uncollectible accounts	(2,931,000)

	\$ 8,162,483

Finance charges are assessed to accounts once the amount owed is past due based on their specific terms. The allowance for doubtful accounts is estimated by management and is based on specific information about customer accounts, past loss experience, and general economic conditions. An account is written off by management when deemed uncollectible, although collections efforts may continue.

Property and Equipment: Property and equipment are stated at cost. Major additions and improvements are capitalized, while minor repairs and maintenance costs are expensed when incurred. In accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," the Company capitalizes certain costs incurred for the development of internal use software. These costs include the costs associated with coding, software configuration, upgrades, and enhancements. Of such costs the Company capitalized approximately \$118,000 and \$127,000 during 2003 and 2002, respectively.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

Computer and office equipment 2 to 3 years Internal-use software 2 years Furniture and fixtures 3 to 7 years

Advertising Costs: The Company advertises its services through traditional venues such as print media to the general public. Costs associated with these advertising efforts are expensed as incurred, and were \$27,438 and \$29,781 for the years ended December 31, 2003 and 2002, respectively.

Fair Value of Financial Instruments: The carrying amounts reported in the accompanying consolidated balance sheet for cash, receivables, and accounts payable approximate fair values because of the immediate or short-term maturities of these financial instruments. The fair value of the Company's notes payable and preferred stock also approximate fair value based on current rates for similar debt and fixed-rate instruments.

Debt Issuance Costs: As an inducement to various investors, shareholders, and board members to lend monies to the Company, shares of common stock and warrants to purchase shares of common stock were issued to them. The fair market value of those shares at the date of issuance has been capitalized as debt issuance costs and is being amortized over the life of the loans. Amortization of these costs for the years ended December 31, 2003 and 2002 was \$414,298 and \$237,446, respectively, and are included in interest expense.

Stock-Based Compensation: Employee compensation expense via stock option grants is reported using the intrinsic method. No stock option-based compensation expense is included in net income (loss) as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at the date of grant. The following table illustrates the effect on net income (loss) and earnings (loss) per share if expense was measured using the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation":

	2003	2002
Net income (loss) applicable to common stockholders:	-----	-----

As reported	\$ 301,144	\$ (419,542)
Pro forma stock option-based compensation	(307,747)	(748,857)
	-----	-----
Pro forma net loss applicable to common stockholders	\$ (6,603)	\$ (1,168,399)
	=====	=====
Net income (loss) per common share:		

As reported:		
Basic	\$ 0.05	\$ (0.07)
Diluted	0.04	(0.07)
Pro forma		
Basic	\$ -	\$ (0.20)
Diluted	-	(0.20)

The fair value of the options granted during 2003 and 2002 was estimated at the date of grant using the following weighted average assumptions:

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	2003	2002
	----	----
Risk-free interest rate	2.89%	3.71%
Dividend yield	-	-
Expected volatility	75%	104%
Weighted average expected life	4.8 years	4.7 years

The weighted average fair values of options granted during the years ended December 31, 2003 and 2002 was \$1.42 and \$1.01, respectively. The pro forma effects of applying SFAS No. 123 are not indicative of future amounts. Additional awards in future years are anticipated.

Income Taxes: The Company recognizes a liability or asset for the deferred income tax consequences of all temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years when the reported amounts of the assets and liabilities are recovered or settled. These deferred

income tax assets or liabilities are measured using the enacted tax rates that will be in effect when the differences are expected to reverse. Recognition of deferred tax assets is limited to amounts considered by management to be more likely than not of realization in future periods.

Net Income (Loss) Per Common Share : Basic net income (loss) per common share ("Basic EPS") excludes dilution and is computed by dividing net income (loss) applicable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted net income (loss) per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other common stock equivalents were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an antidilutive effect on net loss per common share.

As of December 31, 2003, outstanding options of employees and directors, along with warrants held by investors which together aggregated 469,599 in accordance with the Treasury Stock method were included in the computation of EPS. 5,457,760 shares of common stock issuable upon the conversion of preferred stock were excluded from the computation of diluted EPS as their effect was antidilutive.

As of December 31, 2002, outstanding options of employees and directors to purchase 3,592,721 shares of common stock; 4,634,000 shares of common stock issuable upon the conversion of preferred stock; and 5,529,282 shares of common stock issuable upon exercise of warrants to purchase common stock were not included in the computation of Diluted EPS because they would be antidilutive.

Recent Accounting Pronouncements:

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statement 4, 44, and 64, Amendment of FASB Statements 13, and Technical Corrections." SFAS No. 145 rescinds the provisions of SFAS No. 4 that requires companies to classify certain gains and losses from debt extinguishments as extraordinary items and amends the provisions of SFAS No. 13 to require that certain lease modifications be treated as sale/leaseback transactions. The provisions of SFAS No. 145 related to classification of debt extinguishments are effective for fiscal years beginning after May 15, 2002. Commencing January 1, 2003 the Company will classify debt extinguishments costs within income from operations. The provisions of SFAS No. 145 related to lease modifications are effective for transactions occurring after May 15, 2002. The adoption of this statement on January 2, 2003 did not have a material impact on the Company's financial position or results of operations.

In December 2002 the FASB issued SFAS No. 148 "Accounting for Stock Based Compensation - Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This amendment also changes the disclosure requirements of SFAS No. 123 to require more prominent disclosures in both annual and interim financial statements about the methods of accounting for stock-based employee compensation and the effects of the method used on reported amounts. SFAS No. 148 is effective for fiscal years ending after December 15, 2002. The Company has opted to continue accounting for stock options under the intrinsic value method prescribed in APB Opinion No. 25 for the years ended December 31, 2003 and 2002. In addition, the Company has complied with the prominent disclosure requirements of SFAS No. 148.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"). SFAS No. 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS No. 150 requires that those instruments be classified as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period that began after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of SFAS No. 150 and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The Company's adoption of this Statement on July 1, 2003 did not have a material impact on its consolidated results of operations or financial position.

NOTE 2 - ACQUISITIONS

In October 2003, Buyers United acquired the exclusive right to sell and manage the enhanced telecommunications functions of MyACD, Inc. ("MyACD"), with a one-year option to purchase it at a predetermined price. During the term of the agreement, Buyers United has the sole right to manage sales, service and billing of MyACD services. Under the agreement MyACD will continue to provide enhanced service development and configuration and Buyers United will reimburse MyACD for actual costs related to these activities.

During August 2003, Buyers United purchased approximately 12,000 long distance customers from Glyphics Communications, Inc. for \$543,558.

On December 20, 2002, Buyers United entered into an agreement with Touch America, Inc., a subsidiary of Touch America Holdings, Inc., to purchase a substantial number of its switched voice telecommunication customers, including the carrier identification code used to service those customers. In June 2003, the Company amended the purchase agreement to acquire additional switched voice and dedicated telecommunications customers and correct discrepancies in the list of customers originally purchased in December 2002. Buyers United did not purchase any accounts receivable, equipment, or other assets of Touch America. The total purchase price was \$6.5 million. Buyers United made an initial payment of \$3 million to Touch America in December 2002 and has made additional cash payments totaling \$3.4 million through March 4, 2004. The balance of \$93,988 is expected to be paid in April 2004.

On December 6, 2002, Buyers United entered into the Asset Purchase Agreement and Software License Agreement to purchase assets of I-Link, Inc., and its subsidiary, I-Link Communications, Inc., and license in perpetuity software developed by I-Link for the operation of a Voice over Internet Protocol ("VoIP") Network. Customer billings and related expenses incurred pursuant to a related Management Agreement between the parties were included in Buyers United's general and administrative expenses beginning December 6, 2002. The transaction closed effective May 1, 2003, at which time the Company began to recognize revenue earned and expenses incurred.

The assets acquired include dedicated equipment required for operating the VoIP Network, customers of I-Link serviced through the network, carrier identifications codes, and certain trademarks. In consideration for the assets and software license, Buyers United

issued to I-Link 246,430 shares of Series B Convertible Preferred Stock with a fair market value of \$1.4 million, assumed certain liabilities, and agreed to issue an additional 53,570 shares of Series B Convertible Preferred Stock in equal monthly installments over a term of 10 months commencing June 1, 2003, subject to satisfaction of certain conditions pertaining to provisioning of one of the former I-Link customers acquired in the transaction.

In connection with the closing, the parties together with Counsel Corporation, an Ontario corporation, and Counsel Communications LLC, a Delaware limited liability company, both affiliates of I-Link, entered into a Reimbursement Agreement pursuant to which Counsel Corporation, Counsel Communications, and I-Link agreed to reimburse Buyers United for any loss sustained as a result of any claims asserted against the assets acquired from I-Link by certain creditors of I-Link. Out of the shares it received in the transaction I-Link deposited in escrow 40,000 shares that may be applied to reimburse any such loss. This is in addition to 25,000 shares I-Link received in the transaction that has been deposited in escrow under the Asset Purchase Agreement to satisfy any claims for indemnification under the Asset Purchase Agreement. During 2004, these remaining 65,000 shares were delivered to Counsel Corporation.

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The following table presents a summary of the estimated fair values of the assets acquired and liabilities assumed as of December 31, 2003:

Computer and telecommunications switching equipment	\$ 754,966
Customer list	553,898
License on technology and patents	1,182,933
Carrier identification code	135,933
Deposit with a vendor	110,000

Total assets acquired	2,737,730

Accounts payable and accrued liabilities	737,829
Acquisition costs	294,665

Total liabilities assumed	1,032,494

Net assets acquired	\$1,705,236
	=====

The customer list and licensed technology will be amortized over a period of four years.

The following unaudited pro forma financial information presents results as if the acquisition had occurred at the beginning of the respective periods:

	Year ended December 31,	
	2003	2002
Net revenue	\$65,498,766	\$37,965,060
Net income (loss) applicable to common stockholders	\$ 19,175	\$(5,806,566)
Basic and diluted net income (loss) per share	\$ -	\$ (1.01)

These pro forma results have been prepared for comparative purposes only and include certain adjustments such as additional amortization expense as a result of identifiable tangible and intangible assets arising from the acquisition. The pro forma results are not necessarily indicative either of the results of operations that actually would have resulted had the acquisition been in effect at the beginning of the respective periods, or of results to be achieved in the future.

NOTE 3 - PROPERTY AND EQUIPMENT

At December 31, 2003, property and equipment consisted of the following:

Computer and office equipment	\$3,724,164
Internal-use software	268,723
Furniture and fixtures	302,027

	4,294,914
Accumulated depreciation and amortization	(1,870,272)

	\$2,424,642
	=====

NOTE 4 - INTANGIBLE ASSETS

At December 31, 2003, intangible assets consisted of the following:

	Gross asset	Accumulated amortization	Intangible assets, net
Customer lists	\$ 10,760,307	\$ 3,840,679	\$ 6,919,628
Technology and patents	1,318,865	219,811	1,099,054
	<u>\$ 12,079,172</u>	<u>\$ 4,060,490</u>	<u>\$ 8,018,682</u>

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The Company participated in a direct response marketing campaign with LowerMyBills.com, Inc. (LMB), a web-based comparison shopping service. The fees associated with this advertising campaign were deferred and aggregated \$2.8 million until June 2003, when the Company ceased participating in the program. Amortization expense for these customers in 2003 and 2002, was \$1.2 million and \$761,091, respectively.

The Company also acquired new customer lists related to I-Link, Touch America, and Glyphics in 2003, which are predominantly corporate customers. In addition, the Company acquired technology and licenses related to I-Link in 2003. Amortization expense during 2003 for the additional customers was \$1.9 million, and was \$219,811 for the technology and licenses.

The Company estimates the useful lives of its acquired customer lists based upon attrition rates experienced by the Company. Historically, management estimated the useful lives between 24 to 36 months based upon the type of customer and service provided. Based upon recent attrition information which showed that customers were averaging longer lives, the Company changed the estimated useful lives for its customer lists prospectively in the fourth quarter of 2003. LMB customer lives were increased from 24 to 36 months. The impact of this change was a \$204,500 decrease in amortization expense in the fourth quarter of 2003. The customer lives of Touch America, I-Link and Glyphics were changed from 30 or 36 months to 48 months. The impact of this change was a \$306,053 decrease in amortization expense in the fourth quarter of 2003.

Amortization expense for all intangible assets during the four-year period ending December 31, 2007 is estimated to be \$2.7 million, \$2.5 million, \$2.2 million, and \$600,000, respectively.

NOTE 5 - LINE OF CREDIT

Buyers United has a line of credit agreement with RFC Capital Corporation that expires in January 2006. The available borrowing limit is \$5 million. Interest accrues at prime plus three percent, which was 7.00% as of December 31, 2003. During 2002, the interest rate on the line was prime plus six percent, which was 10.25% as of December 31, 2002. The facility allows the Company to obtain financing on its eligible accounts receivable, including unbilled receivables and regular monthly billings. The facility is collateralized by the underlying receivables. On December 31, 2003, Buyers United had financed the maximum amount available based on eligible accounts receivable at that time. This amount, less draws by RFC applied against the outstanding amount, aggregated \$4.1 million. The facility requires Buyers United to maintain a restricted cash account for the collection of the receivables. As of December 31, 2003, Buyers United had \$1.2 million of restricted cash associated with the RFC arrangement.

NOTE 6 - ACCRUED LIABILITIES

At December 31, 2003, accrued liabilities consisted of the following:

Accrued commissions	\$ 669,523
Accrued dividends	478,599
Other	680,742

	\$1,828,864
	=====

NOTE 7 - LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt consists of the following:

Unsecured notes payable to the Chairman of the Board, bearing interest at 12 percent, payable monthly. Principal and unpaid interest are due and payable in July 2004, except for \$112,500 which matures in December 2004, and \$348,825 which matures in July 2005.	\$2,726,325
Unsecured notes payable to two Directors bearing interest at 12 percent, payable monthly. Maturity dates vary, from July 2004 through January 2005.	800,000

Unsecured note payable to a relative of a Director, bearing interest at 12 percent payable monthly. Principal and unpaid

interest due in January 2005. 100,000

Promissory note payable to an individual bearing interest at 12 percent, payable monthly. Secured by equipment. Principal and unpaid interest due in July 2004. 293,333

Promissory notes payable to two individuals bearing interest at 12 percent, payable monthly. Secured by equipment. Principal and unpaid interest due in the summer of 2006. 191,954

Unsecured promissory notes bearing interest at ten percent and 12 percent, payable monthly. Principal payments due monthly, based on 20 percent to 40 percent of billings collected from specifically-designated customers referred from LowerMyBills.com, Inc. ("LMB"). The majority of these notes have no maturity date. The Company believes that all of the principal will be repaid during 2004, based on expected cash collections from these customers. 475,223

Unsecured promissory notes bearing interest at ten percent, payable monthly. Principal payments due monthly, based on ten percent of billings collected from customers acquired from Touch America, Inc. These notes have no maturity date. The Company believes that all principal will be repaid in 2005, based on expected cash collections from these customers. 2,358,412

Unsecured promissory note bearing interest at 10 percent, payable monthly. Principal payments due monthly, based on 30 percent of billings collected from customers recently acquired from Glyphics, Inc. The note has no maturity date. The Company believes that all principal will be repaid by the end of 2004, based on expected cash collections from these customers. 631,211

Note payable to Touch America, Inc., with

interest imputed at four percent, payable monthly. Principal payments due monthly, based on 7.2 percent of billings collected from customers acquired from Touch America, Inc. The obligation has no maturity date. The Company expects that all principal will be repaid by April 2004, based on expected cash collections

from these customers.	473,437
Other	295,238
Capital leases	82,477

	8,427,610
Less current portion	(7,781,484)

	\$ 646,126
	=====

Long-term debt maturities are as follows:

2004	\$7,781,484
2005	623,719
2006	22,407

	8,427,610
Less current maturities	(7,781,484)

	\$ 646,126
	=====

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On February 28, 2003, the Company retired its \$1.1 million note payable by paying \$250,000 in cash and issuing a new promissory note for \$800,000. In addition, the Company issued 50,000 shares of common stock in connection with the original agreement. At December 31, 2003, the amount remaining due, less issuance costs, was \$631,211 (see above).

In connection with some of the LMB-related unsecured promissory notes, two-year warrants to purchase 562,950 shares of common stock at \$2.50 per share were issued to the noteholders. Warrants for an additional 94,950 shares have also been issued to the sales agents. The estimated fair value of the warrants of \$264,717, based on using the Black-Scholes pricing model, was allocated to the warrants and recorded as a discount to the carrying value of the notes. The Company paid approximately \$232,000 in commissions to sales agents. The Company paid approximately \$152,000 in commissions to sales agents in connection with the Touch America-related unsecured promissory notes. All these commission costs are also included in the discounts to the carrying value of the notes. The discount is being amortized to interest expense over the respective notes' estimated payment terms.

NOTE 8 - LEASES

Buyers United leases executive office space in Bluffdale, Utah, a suburb of Salt Lake City. The offices consist of approximately 30,000 square feet. The current monthly lease rate is \$32,307. The lease for office space expires in January 2007, but the Company has an option to renew the lease for an additional three to five years. Through November 2004, Buyers United is leasing 14,339 square feet of space at 13751 S. Wadsworth Park Drive, Draper, Utah, at a monthly cost of \$16,728.

The Company also has one capital lease for computer software. The following is a schedule of future minimum payments under the leases as of December 31, 2003:

Year ending December 31,	Capital leases	Operating leases
2004	\$ 34,690	\$ 571,692
2005	34,690	397,373
2006	23,128	407,307
2007	-	417,490
	-----	-----
Total future minimum lease payments	92,508	\$1,793,862
		=====
Less amount representing interest	(10,031)	

Total obligations under capital leases	82,477	
Less current portion	(28,752)	

Capital lease obligations, net of current portion	\$ 53,725	
	=====	

Rent expense was approximately \$519,500 and \$348,300 for the years ended December 31, 2003 and 2002, respectively.

NOTE 9 - INCOME TAXES

The components of the Company's net deferred income tax assets and liabilities are as follows:

Deferred income tax assets:

Net operating loss carryforwards	\$5,001,000
Reserves and accrued liabilities	1,275,000

Total deferred income tax assets	6,276,000
Valuation allowance	(5,897,000)

Net deferred income tax asset	379,000

Deferred income tax liabilities:	

Tax depreciation in excess of book depreciation	(379,000)

Net deferred income tax liability	(379,000)

Net deferred income taxes	\$ -
	=====

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As of December 31, 2003, the Company had net operating loss carryforwards for federal income tax reporting purposes of approximately \$13,336,000. The tax net operating loss carryforwards will expire beginning in 2012.

Inasmuch as the Company's history includes accumulated net operating losses, it is uncertain as to whether the Company's deferred tax asset can be fully realized. Accordingly, a valuation allowance has been recorded to reduce the deferred income tax assets. The net change in the valuation allowance for deferred tax assets during the year ended December 31, 2003 was a decrease of \$416,000. During 2003 and 2002 no income tax expense was recorded due the reduction of the valuation allowance.

NOTE 10 - CAPITAL TRANSACTIONS

Preferred Stock: The Board of Directors is authorized to classify any shares of the Company's authorized but unissued preferred stock in one or more series. With respect to each series, the Board of Directors is authorized to determine the number of shares that constitutes such series; the rate of dividend, if any, payable on shares of such series; whether the shares of such series shall be cumulative, non-cumulative, or partially cumulative as to dividends and the dates from which any cumulative dividends are to accumulate; whether the shares of such series may be redeemed, and, if so, the price or prices at which and the terms and conditions on which shares of such series may be redeemed; the amount payable upon shares of such series in the event of the voluntary or involuntary dissolution, liquidation, or winding up of the affairs of the Company; the sinking fund provisions, if any, for the

redemption of shares of such series; the voting rights, if any, of the shares of such series; the terms and conditions, if any, on which shares of such series may be converted into shares of capital stock of the Company of any other class or series; whether the shares of such series are to be preferred over shares of capital stock of the Company of any other class or series as to dividends or upon the voluntary or involuntary dissolution, liquidation, or termination of the affairs of the Company or otherwise; and any other characteristics, preferences, limitations, rights, privileges, immunities, or terms.

Series A 8 percent Cumulative Convertible Preferred Stock: During 1999, the Board of Directors authorized the issuance of 2,000,000 shares of Series A 8 percent Cumulative Convertible Preferred Stock ("Series A Preferred Stock") at an offering price of \$2.00 per share. Gross proceeds of \$4 million were raised upon sale of the shares.

The Series A Preferred Stock is convertible to common stock at any time at the election of the holder and, under limited circumstances, at the election of the Company. The conversion rate is one for one, subject to adjustment in the event of a recapitalization, reorganization, or other corporate restructuring or in the event that the Company shall sell or otherwise issue securities at a price below \$2.00 per share or the then adjusted conversion price. The Series A Preferred Stock can be redeemed at the Company's election at any time commencing January 1, 2005 at a redemption price of \$2.00 per share plus all accrued dividends as of the redemption date. During 2002 certain stockholders converted 5,000 Series A preferred shares into common shares.

Series B 8 percent Cumulative Convertible Preferred Stock: In September 2000, the Board of Directors authorized the issuance of 1,234,500 shares of Series B 8% Cumulative Convertible Preferred Stock ("Series B Preferred Stock") and related warrants to purchase common shares at an offering price of \$10.00 per unit. Each unit consists of one share of Series B Preferred Stock and five warrants to purchase one share of common stock at an exercise price of \$2.50 per share. During 2000, various investors made loans to the Company and subsequently elected to exchange their promissory notes for units. In addition to the converted loans of \$2.5 million, the Company raised \$2 million through the issuance of units through December 31, 2000 and \$1.1 million through the issuance of units in 2001.

In connection with the unit offering, the Company agreed to pay the Placement Agent a sales commission and expense allowance aggregating 13 percent of the gross proceeds from the sale of the Series B Preferred Stock, in addition to ten percent of the gross proceeds of certain related bridge financing. The Company also incurred approximately \$23,000 of direct expenses in connection with the offering. As additional consideration, the Company agreed to issue to the Placement Agent warrants to purchase 319,300 shares of the Company's common stock at an exercise price of \$2.50 per share.

As part of the Series B Preferred Stock offering, the Company issued 2,269,000 warrants to purchase common stock at \$2.50 per share. The Company allocated the net proceeds from the offering of \$4.2 million between the Series B Preferred Stock and the warrants based on estimated relative fair values. The Series B Preferred Stock was recorded at \$2.4 million, and the warrants were recorded at

\$1.8 million. The estimated fair value of the warrants was determined using the Black-Scholes pricing model. The Series B Preferred Stock is convertible to common stock at any time at the election of the holder and, under limited circumstances, at the election of the Company. The conversion rate is five for one, subject to adjustment in the event of a recapitalization, reorganization, or other corporate restructuring or in the event that the Company shall sell or otherwise issue securities at a price below \$2.00 per share or the then adjusted conversion price.

During the three months ended March 31, 2001, the Company issued an additional 110,000 shares of preferred stock and 550,000 warrants to purchase common stock. The Company allocated the net proceeds from the offering of \$1.1 million between the Series B Preferred Stock and the warrants based on estimated relative fair values. Accordingly, the stock was recorded at \$794,822, and the warrants were recorded at \$302,401. In connection with these additional Series B shares, the intrinsic value of the beneficial conversion feature of \$20,498 was reflected in the accompanying 2001 consolidated financial statements as a preferred stock dividend and as an increase to additional paid in capital. The Series B Preferred Stock Offering closed on April 13, 2001.

In May 2002 the Board of Directors approved a plan to modify the exercise price on certain Preferred Stock and promissory note-related warrants from \$2.50 to \$2.00 per share, extend the expiration date of certain warrants from December 31, 2002 to December 31, 2004, and amend the redemption provisions of certain warrants so that the warrants could be called for redemption when the market price for the Company's common stock is \$4.00 per share, rather than \$6.00 per share.

On December 6, 2002, Buyers United entered into the Asset Purchase Agreement and Software License Agreement to purchase certain assets and assume certain liabilities of I-Link, Inc., and its subsidiary, I-Link Communications, Inc. In consideration, Buyers United issued to I-Link 246,430 shares of Series B Convertible Preferred Stock with a fair market value of \$1.4 million, and agreed to issue an additional 53,570 shares of Series B Convertible Preferred Stock in equal monthly installments over a term of 10 months commencing June 1, 2003. The final installment was issued March 1, 2004.

During 2003, six of the stockholders converted a total of 116,000 Series B preferred shares into 580,000 common shares. During 2002, one of the stockholders converted 10,000 Series B preferred shares into 50,000 common shares.

Both Series A and B Preferred Stock still outstanding can be redeemed at the Company's election at any time commencing January 1, 2005, at the applicable redemption price plus all accrued dividends as of the redemption date.

Cumulative dividends accrue on both Series A and B Preferred Stock at the rate of 8% per annum from the date of original issue and are payable semi-annually on June 30 and December 31 of each year out of funds legally available for the payment of dividends. Dividends are payable in cash or common stock at the election of the Company. If paid in common stock, the number of shares issued will be based on the average of the closing bid prices for the common stock over the five trading days immediately prior to the dividend payment date. If the Company fails to pay any dividend within 60 days of its due date, the conversion price (see below) is adjusted downward by \$0.25 per share for each occurrence. During the years ended December 31, 2003 and 2002, the Company declared dividends aggregating \$873,495 and \$749,725, respectively, and to satisfy payment obligations, issued a total of 427,096 and 574,635 shares of common stock, respectively. As of December 31, 2003, the Company had accrued dividends payable in the amount of \$478,599. In February 2004, the Company settled the dividend payable by issuing 171,055 shares of common stock.

The Series A and B Preferred Stock has no voting rights, except as required by the General Corporation Laws of Delaware that require class votes on certain corporate matters and matters affecting the rights of the holders of the Preferred Stock. The Preferred Stock is senior in right of payment in the event of liquidation and with respect to dividends to the common stock and all other subsequent preferred stock issuances that may be authorized. The Series A Preferred Stock has a liquidation preference of \$2.00 per share and the Series B Preferred Stock has a liquidation preference of \$10.00 per share.

Issuances of Common Stock: During January 2002 the Company issued 17,998 shares of common stock in connection with the issuance of \$179,998 of promissory notes, at an aggregated fair market value of \$18,798.

During February 2002 the Company issued 25,000 shares of stock to one of its directors for providing a credit guaranty with respect to business expansion activities. The fair market value of shares issuances was \$30,750.

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In March 2001, the Company entered into three-year marketing contracts with one of its Series B Preferred stockholders. Under the terms of the contracts, 100,000 shares of common stock were issued with a fair market value of \$125,000. This amount was recorded on the balance sheet as a deferred consulting fee and included in operating expenses on a straight-line basis over the life of the contracts. During 2001, \$39,931 was recorded in promotion expenses as a result of this amortization. Consideration granted under the contracts' terms also included options to purchase up to 150,000 additional shares of common stock at \$2.50 per share. These options vest gradually over the term of the contract. These options are accounted for as variable plan options since the issuance of these options was under the premise that the grantee will be providing current and future services for the Company. Accordingly, using the Black-Scholes option pricing model, \$29,581 in consulting expense was recorded to reflect the vesting of these options through December 31, 2001. During 2002 an additional \$48,060 of deferred consulting fees were amortized and included in promotion expenses, and another \$95,615 in consulting expense was recorded to reflect the vesting of additional options. However, at the end of 2002 the Company and the stockholder agreed to cancel one of the marketing contracts and to rescind the as-yet unearned options. Accordingly, the Company included in promotion expenses an additional \$25,174 of remaining unamortized deferred consulting fees, and recorded income of \$125,197 to reflect the cancellation of the unearned options.

In January 2003 the Company issued 15,000 shares of stock to one of its directors for providing a credit guaranty to one of its wholesale telecommunication service providers. The fair market value of the stock was \$36,300.

During June 2003, the Company initiated a program to repurchase outstanding common stock from shareholders of record with total holdings of 100 or fewer shares. The offering price per share was \$1.75. The program ended in September 2003 after the Company had repurchased 2,774 shares.

Warrants to Purchase Common Shares: As mentioned above, the Company issued warrants in connection with its Series B preferred stock offering and in connection with certain marketing contracts.

In connection with some of the LMB-related unsecured promissory notes, two-year warrants to purchase a total 562,950 shares of common stock at \$2.50 per share were issued to the noteholders during the two years ended December 31, 2002. Warrants for an additional 97,950 shares were also issued to the sales agents. The estimated fair value of the warrants of \$264,717, based on using the Black-Scholes pricing model, was allocated to the warrants and recorded as a discount to the carrying value of the notes. The discount is being amortized to interest expense over the estimated term of the notes.

In November 2003 the Company issued 25,000 warrants to a consulting company. The estimated fair value of the warrants of \$25,341, based on using the Black-Scholes pricing model, will be amortized over the life of the contract into general and administrative expense.

During 2003, investors exercised warrants to purchase 522,500 shares of Common Stock, in exchange for proceeds which aggregated \$1,043,750.

All of the warrants were exercisable at December 31, 2003. The following tables summarize the warrant activity for 2003 and 2002:

	Warrants	Price Range	Weighted Average Exercise Price
	-----	-----	-----
Balance at December 31, 2001	5,345,732	\$1.25 - \$5.13	\$2.44
Cancelled or expired	(250,000)	\$2.50 - \$2.85	\$2.64
Issued	433,550	\$2.00 - \$2.50	\$2.01

Balance at December 31, 2002	5,529,282	\$1.25 - \$2.95	\$2.00
Cancelled or expired	(181,750)	\$2.00 - \$2.95	\$2.49
Exercised	(522,500)	\$1.25 - \$2.50	\$2.00
Issued	25,000	\$2.50	\$2.50

Balance at December 31, 2003	4,850,032	\$1.25 - \$2.50	\$2.05
	=====		

Long-Term Stock Incentive Plan: Effective March 11, 1999, the Company established the Buyers United International, Inc. Long-Term Stock Incentive Plan ("the Stock Plan"). The Stock Plan provides for a maximum of 1,200,000 shares of common stock of the Company to be awarded to participants and their beneficiaries. A Committee, as determined by the Board of Directors, determines and designates the eligible participants and awards to be granted under the Stock Plan. The Committee may grant incentive stock options; non-qualified options; stock appreciation rights ("SAR"); and on a limited basis, stock awards. The terms and exercise prices of options and SARs will be established by the Committee; except that the exercise prices cannot be less than 100 percent of the fair market value of a share of common stock on the date of grant. As of December 31, 2003, incentive stock options to purchase a total of 893,653 shares were outstanding.

Other Options: The Company's Board of Directors has from time to time also authorized the grant of stock options to directors, officers, key employees, and consultants as compensation and in connection with obtaining financing.

In virtually all cases, employee options vest over a period of from one to three years, and expire from four to five years after the date the options were granted. The following tables summarize the all stock option activity for 2003 and 2002:

	Options	Price Range	Weighted Average Exercise Price
Balance at December 31, 2001	2,818,585	\$2.00 - \$9.00	\$2.69
Granted	902,913	\$2.00 - \$2.50	\$2.31
Cancelled or expired	(128,777)	\$2.00 - \$9.00	\$3.11
Balance at December 31, 2002	3,592,721	\$2.00 - \$5.39	\$2.58
Granted	683,500	\$2.00 - \$2.64	\$2.33
Exercised	(27,500)	2.00	\$2.00
Cancelled or expired	(816,944)	\$2.00 - \$4.00	\$2.20
Balance at December 31, 2003	3,431,777	\$2.00 - \$5.39	\$2.62

A summary of the options outstanding and options exercisable at December 31, 2003 is as follows:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Options Outstanding	Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable at December 31, 2003	Weighted Average Exercise Price
\$2.00 - \$3.99	3,207,926	3.6 years	\$ 2.45	2,512,261	\$ 2.49
\$4.00 - \$5.39	223,851	2.3 years	5.13	223,851	5.13
	<u>3,431,777</u>	3.5 years	\$ 2.62	<u>2,736,112</u>	\$ 2.70

Registration Statement on Form SB-2: On September 10, 2003, the Company filed a registration statement on Form SB-2 with the Securities and Exchange Commission to register for resale up to 8,779,333 shares of Common Stock that may be sold from time to time by certain selling security holders listed in the registration statement. At December 31, 2003 the selling security holders owned:

- o Warrants to purchase 99,375 shares at a price of \$1.25 per share
- o Warrants to purchase 3,966,856 shares at a price of \$2.00 per share
- o Warrants to purchase 528,450 shares at a price of \$2.50 per share
- o Options to purchase 2,086,652 shares at prices ranging from \$2.00 to \$5.392 per share
- o Convertible notes in the amount of \$1,162,500 convertible at \$2.00 per share
- o Convertible notes in the amount of \$1,775,000 convertible at \$2.50 per share

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Buyers United will receive the proceeds from exercise of the warrants and options and will benefit from extinguishment of the debt represented by the convertible notes, but will not receive any proceeds or benefit from the resale of the shares by the selling security holders.

In March 2004 the registration statement was temporarily suspended until the Company can file an amendment updating the registration statement with its 2003 audited financial statements and other information.

NOTE 11 - RELATED PARTY TRANSACTIONS

During 2003 and 2002, certain board members and stockholders performed various services to the Company. These services included, but were not limited to, consulting, marketing and capital and debt raising activities. The Company incurred \$74,750 and \$109,259 in

fees associated with these services for the years ended December 31, 2003 and 2002, respectively. Amounts outstanding related to these services were \$12,800 and \$14,300 at December 31, 2003, and 2002, respectively. There are also several debt arrangements more fully described in Note 7. Interest expense on obligations owed to related parties during 2003 and 2002, respectively, was \$414,523 and \$453,361.

NOTE 12 - MAJOR SUPPLIERS

Approximately 70% and 80% of the Company's cost of revenue for the years ended December 31, 2003 and 2002, respectively, was generated from two telecommunication providers. As of December 31, 2003, the Company owed approximately \$3 million to these two providers. The Company has entered into contractual agreements with these vendors. During 2002 one of these providers had filed for bankruptcy protection under Chapter 11, and the other provider is currently being scrutinized by the Securities and Exchange Commission over certain accounting matters. Although the Company has not experienced a disruption of service and feels it could replace either of these sources with other wholesale telecommunication service providers, the effect on the Company's operations of potentially losing either or both of these service providers is unknown.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

In June 2001, Buyers United entered into a joint sales agreement with Infotopia, Inc., a direct response marketer. In connection with the agreement, Infotopia loaned \$500,000 to Buyers United. Subsequent to entering into the sales agreement, the two companies decided not to pursue further any joint activity. In December 2001, Buyers United negotiated a settlement of the \$500,000 loan in which Buyers United paid \$120,000 and issued 35,000 shares of common stock in exchange for canceling the outstanding obligation plus \$25,921 in accrued interest. The stock had a fair market value of \$22,401. Accordingly, based on these amounts, the Company recorded a gain on the early extinguishments of the debt in the amount of \$383,520. However, unbeknownst to the Company, during 2001 Infotopia allegedly entered into a General Security Agreement with Sea Spray Holdings, Ltd., which purportedly included the loan obligation. Sea Spray asserted that it had a perfected security interest in the obligation and demanded payment as successor-in-interest to Infotopia. The Company denied the claim and filed an arbitration proceeding to resolve the issue. Sea Spray attempted to pursue its claim in New York state court, which the Company removed to federal court in New York, and the federal court dismissed the action pursuant to an order to the effect Sea Spray must pursue its claims in the arbitration proceeding. An arbitration hearing was held in December 2003, at which Sea Spray failed to make any appearance or submission after receiving all required notice. The arbitrator entered a default in favor of Buyers United and its award further found in favor of Buyers United as a matter of the evidence presented and as a matter of law. The Company believes this matter has been resolved fully in its favor and that it has no obligation or liability to Sea Spray.

Buyers United is the subject of certain other legal matters, which it considers incidental to its business activities. It is the opinion of management, after discussion with legal counsel, that the ultimate disposition of these other matters will not have a material impact on the financial position, liquidity or results of operations of Buyers United.

In connection with the MyACD agreements, MyACD will continue to provide enhanced service development and configuration, and Buyers United will reimburse MyACD for actual costs related to these activities.

NOTE 14 - SUBSEQUENT EVENTS

In January and February 2004, three Directors had exercised options to purchase a total of 255,000 shares of Common Stock. Total proceeds received by the Company in connection with these exercises was \$555,000.

During the first three months of 2004, investors have exercised warrants to purchase a total of 71,000 shares of Common Stock. Total proceeds received in these transactions was \$146,000.

In December 2003, a holder of 100,000 shares of Series B Convertible Preferred Stock converted all of those shares to 500,000 shares of common stock. In January 2004, the holder sold those common shares plus 14,560 additional shares, or a total of 514,560 shares, to Buyers United for \$500,000 in a privately negotiated transaction.

Buyers United entered into an agreement to purchase 37 dedicated long distance customers from Source Communications, LLC for \$750,000 in February 2004. Closing of the acquisition was subject to complying with applicable federal and state regulation pertaining to transfer of the customers. All of the regulatory requirements were satisfied and the acquisition of the customers is completed.

On March 15, 2004 the Company closed a private placement to institutional and accredited investors. The Company sold 3,782,000 shares of common stock at \$2.30 per share, or a total of approximately \$8.7 million. Net proceeds of the offering after placement fees and expenses were approximately \$8.1 million. The net proceeds of the private placement are intended to be used for various corporate purposes, including sales and marketing related programs, to fund further development of our VoIP Network, reduction of debt, and for working capital and other general corporate purposes.

In connection with the placement, Acceris Communications Inc., formerly I-link Incorporated and the holder of 300,000 shares of Series B Convertible Preferred Stock, converted all of its preferred stock to 1.5 million common shares. Acceris subsequently sold 750,000 of those common shares to the investors in the private placement at \$2.30 per share. As a result of the conversion and sale, Acceris Communications now holds 808,546 shares of the Company's common stock, or approximately six percent of the 13 million shares of common stock outstanding following completion of the private placement.

The private placement was made only to institutional and accredited investors in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The shares of common stock sold have not been registered under the Securities Act, or any state securities laws, and unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws. The Company has agreed to file a registration statement under the Securities Act for resale of the common stock purchased by the investors in the private placement, the 808,546 shares of common stock held by Acceris, and 164,125 shares of common stock issuable under a warrant granted to the placement agent.

Exhibit No. 3.1
Form 10-KSB
Buyers United, Inc.

State of Delaware
Secretary of State
Division of Corporations
Filed 9:00 AM 03/15/1999
991099477-3016691

**CERTIFICATE OF INCORPORATION
OF
BUI, INC.
ARTICLE I
NAME**

The name of the Corporation is BUI, Inc.

**ARTICLE II
REGISTERED OFFICE AND AGENT FOR SERVICE**

The address of the Corporation's registered office in the State of Delaware is in the county of New Castle, at 1013 Centre Road, Wilmington, Delaware 10805. The name of its registered agent at such address is Corporation Service Company.

**ARTICLE III
CORPORATE PURPOSES**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

**ARTICLE IV
CAPITAL STOCK**

1. Shares, Classes and Series Authorized.

The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 25,000,000 shares. Stockholders shall not have any preemptive rights, nor shall stockholders have the right to cumulative voting in the election of directors or for any other purpose. The classes and the aggregate number of shares of stock of each class that the Corporation shall have authority to issue are as follows:

- (a) 20,000,000 shares of Common Stock, \$0.0001 par value ("Common Stock").
- (b) 5,000,000 shares of Preferred Stock, \$0.0001 par value ("Preferred Stock").

2. Powers and Rights of the Preferred Stock.

The Preferred Stock may be issued from time to time in one or more series, with such distinctive serial designations as may be stated or expressed in the resolution or resolutions providing for the issue of such stock adopted from time to time by the Board of Directors; and in such resolution or resolutions providing for the issuance of shares of each particular series, the Board of Directors is also expressly authorized to fix: the right to vote, if any; the consideration for which the shares of such series are to be issued; the number of shares constituting such series, which number may be increased (except as otherwise fixed by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors; the rate of dividends upon which and the times at which dividends on shares of such series shall be payable and the preference, if any, which such dividends shall have relative to dividends on shares of any other class or classes or any other series of stock of the Corporation; whether such dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which dividends on shares of such series shall be cumulative; the rights, if any, which the holders of shares of such series shall have in the event of any voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding up of the affairs of the Corporation; the rights, if any, which the holders of shares of such series shall have to convert such shares into or exchange such shares for shares of any other class or classes or any other series of stock of the Corporation or for any debt securities of the Corporation and the terms and conditions, including price and rate of exchange, of such conversion or exchange; whether shares of such series shall be subject to redemption, and the redemption price or prices and other terms of redemption, if any, for shares of such series including, without limitation, a redemption price or prices payable in shares of Common Stock; the terms and amounts of any sinking fund for the purchase or redemption of shares of such series; and any and all other designations, preferences, and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof pertaining to shares of such series' permitted by law.

3. Issuance of the Common Stock and the Preferred Stock.

The Board of Directors of the Corporation may from time to time authorize by resolution the issuance of any or all shares of the Common Stock and the Preferred Stock herein authorized in accordance with the terms and conditions set forth in this Certificate of Incorporation for such purposes, in such amounts, to such persons, corporations or entities, for such consideration, and in the case of the Preferred Stock, in one or more series, all as the Board of Directors in its discretion may determine and without any vote or other

action by the stockholders, except as otherwise required by law. The capital stock, after the amount of the subscription price, or par value, has been paid in shall not be subject to assessment to pay the debts of the Corporation.

ARTICLE V BOARD OF DIRECTORS

The governing board of the Corporation shall be known as directors, and the number of directors may from time to time be increased or decreased in such manner as shall be provided by the Bylaws of the Corporation, provided that the

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number of directors may not be less than one nor more than fifteen. Effective upon filing of this Certificate, the members of the board of directors, consisting of three persons, shall be as follows:

Rod Smith	66 E. Wadsworth Park Dr., Suite 101 Draper, Utah 84020
C. Douglas Smith	66 E. Wadsworth Park Dr., Suite 101 Draper, Utah 84020
Daniel R. Ainge	66 E. Wadsworth Park Dr., Suite 101 Draper, Utah 84020

ARTICLE VI POWERS OF BOARD OF DIRECTORS

The property and business of the Corporation shall be controlled and managed by or under the direction of its Board of Directors. In furtherance, and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized:

1. To make, alter, amend or repeal the Bylaws of the Corporation; provided, that no adoption, amendment, or repeal of the Bylaws shall invalidate any act of the board of directors that would have been valid prior to such adoption, amendment, or repeal;
2. To determine the rights, powers, duties, rules and procedures that affect the power of the board of directors to manage and direct the property, business, and affairs of the Corporation, including the power to designate and empower committees of the board of directors, to elect, appoint and empower the officers and other agents of the Corporation, and to determine the time and place of, and the notice requirements for board meetings, as well as the manner of taking board action; and

3. To exercise all such powers and do all such acts as may be exercised by the Corporation, subject to the provisions of the laws of the State of Delaware, this Certificate of Incorporation, and the Bylaws of the Corporation.

ARTICLE VII INDEMNIFICATION

The Corporation shall indemnify and may advance expenses to its officers and directors to the fullest extent permitted by law in existence either now or hereafter.

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ARTICLE VIII LIMITATION ON PERSONAL LIABILITY FOR DIRECTORS

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of a fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended hereafter to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, 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 of the Corporation existing at the time of such repeal or modification.

ARTICLE IX CERTIFICATE SUBJECT TO AMENDMENT

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute or by the Certificate of Incorporation, and except as otherwise provided by this Certificate of Incorporation, all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE X INCORPORATOR

The sole incorporator of the Corporation is:

Rod Smith 66 E. Wadsworth Park Dr., Suite 101 Draper, Utah 84020

IN WITNESS WHEREOF, the undersigned, acting as the sole incorporator of the Corporation, signs this Certificate of Incorporation as his act and deed this 11th day of March, 1999.

/s/ Rod Smith

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State of Delaware
Secretary of State
Division of Corporations
Filed 9:00 AM 04/19/2000
001201588-3016691

**CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
BUI, INC.
(Changing its name to "BuyersOnline.com, Inc.")**

BUI, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

The amendment to the Corporation's Certificate of Incorporation set forth below was duly adopted by resolutions approved by the Corporation's Board of Directors and stockholders in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware:

Amendment. The Certificate of Incorporation of the corporation is amended by striking Article I in its entirety and replacing therefor:

**ARTICLE I
NAME**

The name of the Corporation is BuyersOnline.com, Inc.

IN WITNESS WHEREOF, BUI, Inc. has caused this Certificate to be signed by its duly authorized officer this 30th day of March, 2000.

BUI, Inc.

By: /s/ Rod Smith, President

State of Delaware Secretary of State Division of Corporations Filed 9:00 AM 10/24/2000 001535267-3016691

**CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
BUYERSONLINE.COM, INC.**

BuyersOnline.com, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

The amendment to the Corporation's Certificate of Incorporation set forth below was duly adopted by resolutions approved by the Corporation's Board of Directors and stockholders in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware:

Amendment. The Certificate of Incorporation of the corporation is amended by striking Section 1 of Article IV in its entirety and replacing therefor:

1. Shares, Classes and Series Authorized.

The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 105,000,000 shares. Stockholders shall not have any preemptive rights, nor shall stockholders have the right to cumulative voting in the election of directors or for any other purpose. The classes and the aggregate number of shares of stock of each class that the Corporation shall have authority to issue are as follows:

(a) 100,000,000 shares of Common Stock, \$0.0001 par value ("Common Stock").

(b) 5,000,000 shares of Preferred Stock, \$0.0001 par value ("Preferred Stock").

IN WITNESS WHEREOF, BuyersOnline.com, Inc., has caused this Certificate to be signed by its duly authorized officer this 24th day of October, 2000.

BUYERSONLINE.COM, INC.

By: /s/ Paul Jarman, Vice President

State of Delaware
Secretary of State
Division of Corporations
Filed 9:00 AM 11/01/2001
010549267-3016691

**CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
BUYERSONLINE.COM, INC.**

BuyersOnline.com, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

The amendment to the Corporation's Certificate of Incorporation set forth below was duly adopted by resolutions approved by the Corporation's Board of Directors and stockholders in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware. The amendments will be effective as of 12:01 am Eastern Time on November 20, 2001.

Amendment No. 1. The Certificate of Incorporation of the corporation is amended by striking Article I in its entirety and replacing there for:

**ARTICLE I
NAME**

The name of the Corporation is Buyers United, Inc.

Amendment No. 2. The Certificate of Incorporation of the corporation is amended by striking Section 1 of Article IV in its entirety and replacing there for:

1. Shares, Classes and Series Authorized.

The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 115,000,000 shares. Stockholders shall not have any preemptive rights, nor shall stockholders have the right to cumulative voting in the election of directors or for any other purpose. The classes and the aggregate number of shares of stock of each class that the Corporation shall have authority to issue are as follows:

(a) 100,000,000 shares of Common Stock, \$0.0001 par value ("Common Stock").

(b) 15,000,000 shares of Preferred Stock, \$0.0001 par value ("Preferred Stock").

IN WITNESS WHEREOF, BuyersOnline.com, Inc., has caused this Certificate to be signed by its duly authorized officer this 31st day of October 2001.

BUYERSONLINE.COM, INC.

By: /s/ Paul Jarman, Vice President

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Exhibit 14.1
Form 10-KSB
Buyers United, Inc.

**BUYERS UNITED, INC.
CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS**

I. INTRODUCTION

This Code of Ethics for Principal Executive and Senior Financial Officers (the "Code") helps maintain the standards of business conduct for Buyers United, Inc. (the "Company"), and ensures compliance with legal requirements, specifically Section 406 of the Sarbanes-Oxley Act of 2002, and the SEC rules promulgated there under. The purpose of the Code is to deter wrongdoing and promote ethical conduct. The matters covered in this Code are of the utmost importance to the Company, our shareholders and our business partners. Further, these are essential so that we can conduct our business in accordance with our business values.

The Code is applicable to the following persons, referred to as Officers:

- o Our principal executive officer,
- o Our principal financial officer,
- o Our principal accounting officer or controller, and

o All professionals serving in the roles of finance, tax, accounting, purchase, treasury, internal audit, financial analyst and investor relations. Further, this includes all members of the senior management, the members of the Audit Committee, and members of the Board of Buyers United and its subsidiaries.

Ethical business conduct is critical to our business. Accordingly, Officers are expected to read and understand this Code, uphold these standards in day-to-day activities, and comply with: all applicable laws; rules and regulations; any code of conduct the Company may adopt from time to time; and all applicable policies and procedures adopted by the Company that govern the conduct of its employees.

Because the principles described in this Code are general in nature, questions about specific matters or issues should be directed to either the President or Chief Financial Officer of the Company. If the President or Chief Financial Officer have questions about specific matters or issues, they should direct their inquiry to the Chairman of the Company's Audit Committee.

Nothing in this Code, in any Company policies and procedures, or in other related communications (verbal or written), creates or implies an employment contract or term of employment.

Officers should sign the acknowledgment form at the end of this Code and return the form to the HR department indicating that they have received, read and understood, and agree to comply with the Code. The signed acknowledgment

form will be located in each Officer's personnel files. Each year, as part of their annual review, Officers will be asked to sign an acknowledgment indicating their continued understanding of the Code.

II. HONEST AND ETHICAL CONDUCT

We expect all Officers to act in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct, while working on the Company's premises, at offsite locations where the Company's business is being conducted, at Company sponsored business and social events, or at any other place where Officers are representing the Company.

We consider honest conduct to be conduct that is free from fraud or deception. We consider ethical conduct to be conduct conforming to the accepted professional standards of conduct. Ethical conduct includes the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. This is discussed in more detail in Section III below.

In all cases, if you are unsure about the appropriateness of an event or action, please seek assistance in interpreting the requirements of these practices.

III. CONFLICTS OF INTEREST

An Officer's duty to the Company demands that he or she avoids and discloses actual and apparent conflicts of interest. A conflict of interest exists where the interests or benefits of one person or entity conflict with the interests or benefits of the Company. Examples include:

A. Employment/ Outside Employment. In consideration of employment with the Company, Officers who are full time employees are expected to devote their full attention to the business interests of the Company. Such Officers are prohibited from engaging in any activity that interferes with their performance or responsibilities to the Company, or is otherwise in conflict with or prejudicial to the Company.

Our policy is to prohibit Officers from accepting simultaneous employment with suppliers, customers, developers or competitors of the Company, or from taking part in any activity that enhances or supports a competitor's position. Additionally, Officers must disclose to the Company's Audit Committee, any interest that they have that may conflict with the business of the Company.

B. Outside Directorships. It is a conflict of interest to serve as a director of any company that competes with the Company. Officers must first obtain approval from the Company's Audit Committee before accepting a directorship.

C. Business Interests. If an Officer is considering investing in any customer, supplier, developer or competitor of the Company, he or she must first take care to ensure that these investments do not compromise their responsibilities to the Company. It is our policy that Officers first obtain approval from the Company's Audit Committee before making such an investment. Many factors should be considered in determining whether a conflict exists, including the size and nature of the investment; the Officer's ability to

influence the Company's decisions; his or her access to confidential information of the Company or of the other company; and the nature of the relationship between the Company and the other company.

D. Related Parties. As a general rule, Officers should avoid conducting Company business with a relative, or with a business in which a relative is associated in any significant role. Relatives include spouse, siblings, children, parents, grandparents, grandchildren, aunts, uncles, nieces, nephews, cousins, step relationships, and in-laws. The Company discourages the employment of relatives of Officers in positions or assignments within the same department. Further, the Company prohibits the employment of such individuals in positions that have a financial dependence or influence (e.g., an auditing or control relationship, or a supervisor/ subordinate relationship).

E. Payments or Gifts From Others. Under no circumstances may Officers accept any offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value from customers, vendors, consultants, etc., that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commitment of fraud, or opportunity for the commitment of any fraud. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive or create an appearance of impropriety, do not violate this policy. Before accepting anything of value from an employee of a government entity, please contact the President or Chief Financial Officer or, in the case of the President or Chief Financial Officer, the Chairman of the Audit Committee. Questions regarding whether a particular payment or gift violates this policy are to be directed to President or

Chief Financial Officer or, in the case of the President or Chief Financial Officer, the Chairman of the Audit Committee. Gifts given by the Company to suppliers or customers, or received from suppliers or customers, should be appropriate to the circumstances and should never be of a kind that could create an appearance of impropriety. The nature and cost must always be accurately recorded in the Company's books and records.

F. Corporate Opportunities. Officers may not exploit for their own personal gain, opportunities that are discovered through the use of corporate property, information or position, unless the opportunity is disclosed fully in writing to the Company's Board of Directors and the Board declines to pursue such opportunity.

G. Other Situations. Because other conflicts of interest may arise, it would be impractical to attempt to list all possible situations. If a proposed transaction or situation raises any questions or doubts, Officers must consult President or Chief Financial Officer or, in the case of the President or Chief Financial Officer, the Chairman of the Audit Committee.

IV. DISCLOSURE TO THE SEC AND THE PUBLIC

Our policy is to provide full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in our other public communications. Accordingly, our Officers must ensure that they and others in the Company comply with our disclosure controls and procedures, and our internal controls for financial reporting.

V. COMPLIANCE WITH GOVERNMENTAL LAWS, RULES AND REGULATIONS

Officers must comply with all applicable governmental laws, rules and regulations. Officers must acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable them to recognize potential dangers, and to know when to seek advice from more senior Officers or the Audit Committee. Violations of applicable governmental laws, rules and regulations may subject Officers to individual criminal or civil liability, as well as to disciplinary action by the Company. Such individual violations may also subject the Company to civil or criminal liability or the loss of business.

VI. VIOLATIONS OF THE CODE

Part of an Officer's job, and of his or her ethical responsibility, is to help enforce this Code. Officers should be alert to possible violations and report this to President or Chief Financial Officer or, in the case of the President or Chief Financial Officer, the Chairman of the Audit Committee. Officers must cooperate in any internal or external investigations of possible violations. Reprisal, threat, retribution or retaliation against any person who has, in good faith, reported a violation or a suspected violation of law, this Code or other Company policies, or against any person who is assisting in any investigation or process with respect to such a violation, is prohibited.

Actual violations of law, this Code, or other Company policies or procedures, should be promptly reported to President or Chief Financial Officer or, in the case of the President or Chief Financial Officer, the Chairman of the Audit Committee.

The Company will take appropriate action against any Officer whose actions are found to violate the Code or any other policy of the Company. Disciplinary actions may include immediate termination of employment at the Company's sole discretion. Where the Company has suffered a loss, it may pursue its remedies against the individuals or entities responsible. Where laws have been violated, the Company will cooperate fully with the appropriate authorities.

VII. WAIVERS AND AMENDMENTS OF THE CODE

We are committed to continuously reviewing and updating our policies and procedures. Therefore, this Code is subject to modification. Any amendment or waiver of any provision of this Code must be approved in writing by the Company's Board of Directors and promptly disclosed on the Company's website and in applicable regulatory filings pursuant to applicable laws and regulations, together with details about the nature of the amendment or waiver.

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VIII. ACKNOWLEDGMENT OF RECEIPT OF CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS

I have received and read the Company's Code of Ethics for Principal Executive and Senior Financial Officers (the "Code"). I understand the standards and policies contained in the Code and understand that there may be additional policies or laws specific to my job. I agree to comply with the Code.

If I have questions concerning the meaning or application of the Code, any Company policies, or the legal and regulatory requirements applicable to my job, I know I can consult the President or Chief Financial Officer or, in the case of the President or Chief Financial Officer, the Chairman of the Audit Committee, and that my questions or reports to these sources will be maintained in confidence.

Officer Name

Signature

Date

Please sign and return this form to the HR department.

Exhibit No. 21.1
Buyers United, Inc.
Form 10-KSB
File No. 0-26917

SUBSIDIARIES OF THE COMPANY

Name State or Jurisdiction

Buyers United, Inc. - Virginia Virginia

Exhibit No. 31.1
Form 10-KSB
Buyers United, Inc.
File No. 0-26917

Certification

I, Theodore Stern, certify that:

1. I have reviewed this annual report on Form 10-KSB for the year ended December 31, 2003 of Buyers United, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 29, 2004

*By: /s/ Theodore Stern
Chief Executive Officer*

Certification

I, David R. Grow, certify that:

1. I have reviewed this annual report on Form 10-KSB for the year ended December 31, 2003 of Buyers United, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 29, 2004

*By: /s/ David R. Grow
Chief Financial Officer*

Exhibit No. 32.1
Form 10-KSB
Buyers United, Inc.
File No. 0-26917

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002.

In connection with the Annual Report of Buyers United, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Theodore Stern, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2004

*By: /s/ Theodore Stern
Chief Executive Officer*

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002.

In connection with the Annual Report of Buyers United, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Grow, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C.

Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2004

*By: /s/ David R. Grow
Chief Financial Officer*

A signed original of this written statement required by Section 906 has been provided to Buyers United, Inc. and will be retained by Buyers United, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

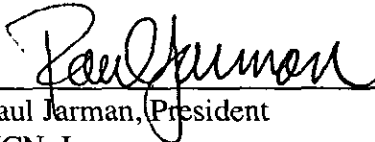
End of Filing


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VERIFICATION

STATE OF UTAH)
)
COUNTY OF SALT LAKE) ss

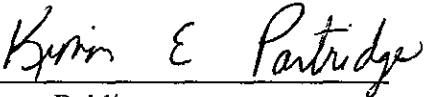
I, Paul Jarman, being duly sworn, depose and state that I am the President of UCN, Inc. and that the contents set forth in this Application for Certificate of Authority to provide Competitive Telecommunications Services in the State of Missouri has been prepared under my direction, from the original books, papers and records of said company, that I have examined same, and declare same to be true, accurate and correct to the best of my knowledge and belief.



Paul Jarman, President
UCN, Inc.

Subscribed and sworn to before me, this 5 day of November, 2004.

My commission expires: May 1, 2005.



Notary Public
(seal)

