** **FLORIDA PUBLIC SERVICE COMMISSION** **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

020128-TI

Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

1. This is an application for √ (check one):

( ) **Original certificate** (new company).

( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

(X) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Buyers United, Inc. (BUI)

3. Name under which applicant will do business (fictitious name, etc.):

4. Official mailing address (including street name & number, post office box, city, state, zip code):

14870 S. Pony Express Road
Bluffdale, UT 84065

5. Florida address (including street name & number, post office box, city, state, zip code):

526 E Park Ave.
Tallahassee, FL 32301

6. Select type of business your company will be conducting √ (check all that apply):

( ) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

N/A ( ) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

(X) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

( ) Individual	( ) Corporation
(X) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Other ______________________	

8. **If individual,** provide:

Name:______________________________
Title:______________________________
Address:______________________________
City/State/Zip:______________________________

Telephone No.:____________________ **Fax No.:**______________
Internet E-Mail Address:______________________________
Internet Website Address:______________________________

9. **If incorporated in Florida,** provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State Corporate Registration number:**
____

10. **If foreign corporation,** provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State Corporate Registration number:**
Pending______________________________

11. **If using fictitious name-d/b/a,** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) **The Florida Secretary of State fictitious name registration number:**
____

12. **If a limited liability partnership**, provide proof of registration to operate in Florida:

(a) **The Florida Secretary of State registration number:** __________

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name:______________________________________

Title:_______________________________________

Address:______________________________________
City/State/Zip:__________________________________

Telephone No.:__________________ **Fax No.:**____________
Internet E-Mail Address:______________________________
Internet Website Address:______________________________

14. **If a foreign limited partnership,** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:**______________________

15. Provide **F.E.I. Number** (if applicable):________________________

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
(x) Yes ( ) No

(b) If not, who will bill for your services?

Name:______________________________________
Title:_______________________________________

Address:______________________________________

City/State/Zip:__________________________________

Telephone No.:__________________ **Fax No.:**____________

(c) How is this information provided?

____

____

17. Who will receive the bills for your service?

(X) Residential Customers (X) Business Customers
( ) PATs providers ( ) PATs station end-users
( ) Hotels & motels ( ) Hotel & motel guests
( ) Universities ( ) Universities dormitory residents
( ) Other: (specify)____________________.

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Kimm Partridge

Title: Compliance Specialist

Address: 14870 S. Pony Express Road
City/State/Zip: Bluffdale, UT 84065

Telephone No.: 800-343-6177 x 3488 **Fax No.:** 800-921-9366
Internet E-Mail Address: kimm.partridge@buyoinc.com
Internet Website Address: www.lawyershine.com

(b) Official point of contact for the ongoing operations of the company:

Name: William Shupe

Title:

Address: 14870 Pony Express Road
City/State/Zip: Bluffdale, UT 84065

Telephone No.: 800-363-6177 x 3405 **Fax No.:** 800-921-9366
Internet E-Mail Address: william.shupe@buyonc.com
Internet Website Address: www.buyersonline.com

(c) Complaints/Inquiries from customers:

Name:

Title:

Address: Same as above
City/State/Zip:

Telephone No.: **Fax No.:**
Internet E-Mail Address:
Internet Website Address:

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

All States, Except Alaska Hawaii &
South Dakota

(b) has applications pending to be certificated as an interexchange telecommunications company.

South Dakota

(c) is certificated to operate as an interexchange telecommunications company.

Same as A

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

None

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

Arkansas & Wisconsin for failure to file Annual Report

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

N/A

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

N/A

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

N/A

21. The applicant will provide the following interexchange carrier services √ (check all that apply):

a._______ **MTS with distance sensitive per minute rates**

_______ Method of access is FGA
_______ Method of access is FGB
_______ Method of access is FGD
_______ Method of access is 800

b._______ **MTS with route specific rates per minute**

_______ Method of access is FGA
_______ Method of access is FGB
_______ Method of access is FGD
_______ Method of access is 800

c. X **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

d.________ **MTS for pay telephone service providers**

e.________ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f.___X___ **800 service (toll free)**

g.________ **WATS type service (bulk or volume discount)**

_______ Method of access is via dedicated facilities
_______ Method of access is via switched facilities

h.________ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

I.___X___ **Travel service**

________ Method of access is 950
___X___ Method of access is 800

j.________ **900 service**

k.________ **Operator services**

________ Available to presubscribed customers
________ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
________ Available to inmates

l. **Services included are:**

__X__ Station assistance
__X__ Person-to-person assistance
__X__ Directory assistance
__X__ Operator verify and interrupt
__X__ Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

23. Submit the following:

A. **Managerial capability;** give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

See exhibit "A" - Attached hereto

B. **Technical capability;** give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

See exhibit "A"

C. **Financial capability.**

See exhibit "B" Attached hereto

The application **<u>should contain</u>** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer <u>affirming that the financial statements are true and correct</u> and should include:

1. the balance sheet;

2. income statement; and

3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Paul Jarman
Print Name

Paul Jarman
Signature

COO
Title

2-11-02
Date

800-363-6177 800-921-4366
Telephone No. **Fax No.**

Address: 14870 S. Pony Express Road
Bluffdale, UT 84065

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please √ check one):

(X) The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.

(   ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

Paul Jarman
Print Name

[signature]
Signature

COO
Title

2-11-02
Date

800-363-6177
Telephone No.

800-921-9366
Fax No.

Address: 14870 S. Pony Express Road
Bluffdale, UT 84065

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24 471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide interexchange telecommunications service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Paul Jarman
Print Name

Paul Jarman
Signature

COO
Title

2-11-02
Date

800-363-6177
Telephone No.

800-921-9366
Fax No.

Address: 14870 S. Pony Express Road
Bluffdale, UT 84065

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has** ( ) or **has not** ( ) previously provided intrastate telecommunications in Florida.

If the answer is <u>has</u>, fully describe the following:

a) What services have been provided and when did these services begin?

Switchless Reseller

b) If the services are not currently offered, when were they discontinued?

2000 for failure to submit annual report

UTILITY OFFICIAL:

Paul Jarman
Print Name

Paul Jarman
Signature

COO
Title

2-11-02
Date

800-363-6077
Telephone No.

800-921-9366
Fax No.

Address: 14870 S. Pony Express Road
Bluffdale, UT 84065

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name) Paul Jarman,

(Title) COO of

_______________ (Name of Company)

and current holder of Florida Public Service Commission Certificate Number

_______________, have reviewed this application and join in the petitioner's request for a:

(   ) transfer

(   ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

Paul Jarman
Print Name

Paul Jarman
Signature

COO
Title

2/11/02
Date

800-323-6177
Telephone No.

800-921-9366
Fax No.

Address: 14870 S. Pony Express Road
Bluffdale, UT 84065

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2)

EXHIBIT "A" TO APPLICATION

Management and Directors

Buyers' current directors, executive officers and certain key employees of the Company are as follows:

Name	Position
Ted Stern	Chief Executive Officer and Chairman of the Board of Directors
Paul Jarman	Chief Operating Officer
G. Douglas Smith	Executive Vice President, Marketing
Ken Krogue	Executive Vice President, Sales
David Harmon	Controller
Gary Smith	Director
Steve Barnett	Director
Edward Dallin (Dal) Bagley	Director

Ted Stern, Chairman and CEO. Mr. Stern retired as Senior Executive Vice President and member of the Board of Directors of Westinghouse Electric Corporation at the end of 1992 after 34 years of service. He was elected an officer of the Corporation in April 1972. In Mr. Stern's last position at Westinghouse Electric, he was responsible for the following business units: Power Generation, Energy Systems, Governmental and Environmental Affairs, and Knoll Furniture. The revenue of business reporting to Mr. Stern totaled over $3 billion, and the number of employees totaled over 50,000. Mr. Stern holds a B.S. in Mechanical Engineering from the Pratt Institute and a M.S. in Theoretical Mathematics from New York University.

Paul Jarman, COO. Mr. Jarman joined the Company from HealthRider, Inc. in March 1994, where he began work as the Texas Regional Manager, opening 15 retail locations in the state with annual sales of $8 million. In April 1996, he became the Director of Retail Operations managing 250 retail locations and over 1,100 employees with $95 million in annual sales. In August 1996, Mr. Jarman decided to broaden his experience by switching to HealthRider's marketing department as the Director of New Product Development. He managed new product creations in exercise, massage, and nutritional products as well as choosing new products for the retail locations to sell, and negotiating pricing with the respective vendors. He earned a B.S. in Accounting from the University of Utah and is a CPA.

G. Douglas Smith, Executive Vice-President, Marketing. Mr. Smith joined the Company after six years at HealthRider, Inc., an exercise equipment company based in Salt Lake City, Utah. During his service at HealthRider, the company grew from $600,000 in revenue in 1991 to $241 million in 1995. Under Mr. Smith's direction, HealthRider's 1995 performance surpassed the top growing private companies on the Inc. 500 list. Mr. Smith started at HealthRider as Director of Media and ended his tenure as Senior Vice President over marketing and sales. Mr. Smith attended Brigham Young University where he studied Business Marketing. He brings tremendous experience in fast-growth, cost-effective marketing strategies.

Kenneth D. Krogue, Vice President, Sales. Mr. Krouge brings over twelve years of technical sales and management experience to the Company. Prior to joining the Company, he founded and managed the Inside Sales Department at Franklin Covey, a leading provider of time and life management training systems. During his tenure at Franklin, he exceeded management's goals for four years and led the fastest growing department in the company with an average annual growth rate of one hundred and fifty percent.

Prior to his work with Franklin Covey, Ken served as the Marketing Director of Infobases International, Inc., a leading electronic publisher. Ken received his education from the United States Naval Academy and the University of Utah. He is also a Certified NetWare Engineer and consultant, which adds greatly to his ability to enhance the Commercial Sales Division with cutting-edge technology solutions.

David Harmon, Controller. Mr. Harmon has been the Company's since December 1999. He is responsible for all of the Company's accounting, tax planning, financial & management reporting, and SEC filings. He is a certified public accountant, having spent eight years in public accounting specializing in the audits and financial reporting of public companies. Mr. Harmon has also served as Controller and CFO of a privately held distribution business as well as a NASDAQ-listed electronics manufacturer. He graduated from the University of Utah with a Bachelor of Science degree in Accounting.

Gary Smith, Director. Mr. Smith was the founder, majority owner, and former President of HealthRider, Inc. From 1991 to 1997, he managed and directed every phase of business and sales operations at HealthRider. Using a unique made-for-television infomercial co-written and directed by Mr. Smith, HealthRider sold nearly one million exercise machines, generating more than $600 million in revenue in the last three years. While directing a national media campaign for HealthRider, Mr. Smith also established a network of more than 200 national retail outlets for equipment sales around the country. Because of his vision and leadership abilities, *Inc. Magazine* honored Mr. Smith in July 1996 as the regional "Entrepreneur of the Year." Prior to founding HealthRider, Inc., Mr. Smith also founded Highlander Publications. Over a 13-year period, Smith built *The Highlander*, and its sister advertising publication, *The Advertiser*, into newspapers with the largest direct mail circulation in southern California.

Edward Dallin Bagley, Director. Mr. Bagley received his Juris Doctorate in 1965 from the University of Utah College of Law and is a member of the Utah State Bar Association. Mr. Bagley is currently on the Board of Directors of Tunex International, Gentner Communications, National Environmental Services, Corp., and National Financial Corp.

Steve Barnett, Director. Mr. Barnett graduated from Carleton College with a B.S. degree and from the University of Chicago Law School with a Doctor of Jurisprudence degree. He practiced law in Chicago for five years. Mr. Barnett has spent the past 27 years as principal/CEO of eight companies having annual revenues as high as $75 million, and ranging from manufacturing and distribution to financial and management services. In 1970, he co-founded an equipment leasing company specializing in hospitals and healthcare facilities. Subsequently, he co-founded an international, turnkey, hospital-equipment company with its focus in Latin America. He functioned as CEO of both companies until 1986.

EXHIBIT "A" TO FLORIDA PUBLIC SERVICE COMMISSION APPLICATION

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Name	Position
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Paul Jarman	Chief Operating Officer
William Whalen	Chief Information Officer
G. Douglas Smith	Executive Vice President, Marketing
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David Harmon	Controller
Gary Smith	Director
Steve Barnett	Director
Edward Dallin (Dal) Bagley	Director

Ted Stern, Chairman and CEO. Mr. Stern retired as Senior Executive Vice President and member of the Board of Directors of Westinghouse Electric Corporation at the end of 1992 after 34 years of service. He was elected an officer of the Corporation in April 1972. In Mr. Stern's last position at Westinghouse Electric, he was responsible for the following business units: Power Generation, Energy Systems, Governmental and Environmental Affairs, and Knoll Furniture. The revenue of business reporting to Mr. Stern totaled over $3 billion, and the number of employees totaled over 50,000. Mr. Stern holds a B.S. in Mechanical Engineering from the Pratt Institute and a M.S. in Theoretical Mathematics from New York University.

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Bill Whalen, CIO. Mr. Whalen has over 20 years of information technologies experience across a variety of assignments in the financial, health care, and high tech manufacturing industries. Mr. Whalen was, most recently, at Iomega where he managed their global data architecture, data warehousing, Oracle applications, and led key B2B and B2C e-commerce initiatives. Prior to Iomega, Mr. Whalen played major roles at Intermountain Health Care in Salt Lake City and at The Hartford Insurance Group in Connecticut. Mr. Whalen received his B.S. from the University of Wyoming and his M.S. from the University of Hartford.

G. Douglas Smith, Executive Vice-President, Marketing. Mr. Smith joined the Company after six years at HealthRider, Inc., an exercise equipment company based in Salt Lake City, Utah. During his service at HealthRider, the company grew from $600,000 in revenue in 1991 to $241 million in 1995. Under Mr. Smith's direction, HealthRider's 1995 performance surpassed the top growing private companies on the Inc. 500 list. Mr. Smith started at HealthRider as Director of Media and ended his tenure as Senior Vice President over marketing and sales. Mr. Smith attended Brigham Young University where he studied Business Marketing. He brings tremendous experience in fast-growth, cost-effective marketing strategies.

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Prior to his work with Franklin Covey, Ken served as the Marketing Director of Infobases International, Inc., a leading electronic publisher. Ken received his education from the United States Naval Academy and the University of Utah. He is also a Certified NetWare Engineer and consultant, which adds greatly to his ability to enhance the Commercial Sales Division with cutting-edge technology solutions.

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EXHIBIT “B” TO FLORIDA PUBLIC SERVICE COMMISSION APPLICATION

Attached hereto are copies of Buyers’ audited financial statements for the years ending: 1998, 1999 and 2000.

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

[X] Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2000, or

[ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange act of 1934 for the transition period from to

Commission File No. 0-26917

BUYERSONLINE.COM, INC.
(Name of Small Business Issuer as specified in its charter)

Delaware	**87-0528557**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

14870 Pony Express Road, Bluffdale, Utah 84065
(Address of Principal Executive Offices and Zip Code)

Issuer's Telephone Number: (801) 523-8929

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:

Common Stock, Par Value $0.0001

Check whether the issuer (1) filed all reports required to be filed by sections 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

The issuer's revenues for its most recent fiscal year: $7,355,559.

The aggregate market value of voting stock held by non-affiliates computed on the basis of the last sale price on March 30, 2001, was $3,322,602.

As of December 31, 2000, the Registrant had outstanding 3,988,940 shares of Common Stock, par value $0.0001.

Documents incorporated by reference:

Incorporated by reference in Part III of this report is the definitive proxy statement of BuyersOnline for the 2001 annual meeting of stockholders, which BuyersOnline proposes to file with the Securities and Exchange Commission on or before April 30, 2001.

TABLE OF CONTENTS

* These items are incorporated by reference from the definitive proxy statement of BuyersOnline for the 2001 annual meeting of stockholders to be filed with the Securities and Exchange Commission on or before April 30, 2001.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

BuyersOnline.com, Inc., is a Delaware corporation that has been engaged for the past five years in the business of selling essential monthly services to its members--now representing a "buying collective" of approximately 21,000 residential consumers and small businesses across America. BuyersOnline uses the purchasing power of its membership to negotiate lower prices from producers and resellers to provide what management describes as "essential" products and services. These are products and services that are part of the monthly budget of most consumers with incomes ranging from $30,000 to $100,000 per year. Presently, the "essential" services we offer include long distance and Internet service. To join BuyersOnline as a member, a consumer or small business owner must simply choose one or more of the essential services that are currently offered by BuyersOnline. There are no membership fees.

BuyersOnline is now expanding its program to include additional consumer products and services. In August 2000, we unveiled our new Internet Portal that we believe will attract a substantial number of online shoppers. The Portal will take advantage of the growing consumer trend to shop online by offering added value to consumers in the form of rebates, that are typically unavailable, and convert those shoppers into "members" who spend monthly on the "essential" services available through BuyersOnline. Simply by choosing one or more of the essential monthly services offered through BuyersOnline, consumers may gain unrestricted access to a large variety of products and services through the BuyersOnline Portal, and earn rebates when they buy online. Rebates earned from online spending are applied directly against the monthly bills for "essential" services of each member giving them the added benefit of reducing their bill for the services they choose from BuyersOnline.

Until recently, BuyersOnline's marketing strategy has been exclusively based on a "word of mouth" advertising campaign and a member rebate program. The member rebate program allows members in BuyersOnline to reduce or "zero-out" the monthly bill for the services they receive. This is accomplished through a direct rebate plan that recurs monthly based on service purchases by new member referrals.

We are now attempting to pursue multiple marketing avenues, including the Internet, a new infomercial, independent agents, and other advertising to stimulate interest in our service offerings to generate a substantial increase in membership. We launched our Internet Portal in 2000 to attract members through expanded access to consumer products and services. We have developed an infomercial as part of our planned nationwide advertising campaign, which uses the endorsements of Dick Clark, Della Reese, and Marie Osmond. They will carry BuyersOnline's messages to potential members with nationwide television broadcasting of a 28.5-minute infomercial and a series of thirty-second, one-minute and two-minute commercials. BuyersOnline has tested the infomercial, and based on the results intends to effect a nationwide roll out of the infomercial in the fall of 2001 provided we are successful in obtaining sufficient capital to fund the roll out. There are approximately 5,000 independent telecommunications agents around the country that are responsible for a substantial amount of annual U.S. telecommunication sales. Since the middle of 2000, BuyersOnline has engaged over 1,000 independent agents to sell its telecommunications services. In addition to the infomercial, we intend to pursue an aggressive advertising campaign over the Internet during the last three calendar quarters of 2001.

BuyersOnline's offices are located at 14870 Pony Express Road, Bluffdale, Utah 84065, where our telephone number is (801) 523-8929.

Services and products

"Essential" services we offer

BuyersOnline offers long distance phone service and related products, including travel cards and 800/888 service. Long distance and related services are provided by four different long distance companies. We offer domestic long distance service to our members at rates ranging from 4.9 to 6.9 cents per minute, and overseas long distance at discounted rates. The long distance rate to BuyersOnline for domestic charges is fixed by agreement. The long distance rate for overseas calls may be adjusted by the long distance provider on seven days advance notice to BuyersOnline. All long distance charges are billed to BuyersOnline and are due within 30 days. BuyersOnline, in turn, bills its members for their long distance calls. We believe long distance service at comparable rates is available from a number of providers, and we continually seek out the lowest pricing for our members.

BuyersOnline launched an Internet service program in January 1999. Internet services include unlimited local dial-up access at approximately 2,100 locations across the country, free filtering services, unlimited e-mail, web hosting for businesses, and activity reporting. Management plans to add online billing capability for bundled goods and services, discount consolidating with existing web sites, and manufacturer-direct web commerce opportunities. The Internet access program is provided by Zaibon, based in Salt Lake City, Utah, beginning in April 2001, under a contract terminable by either party at will. The basic Internet service is offered to members at $14.95 per month for unlimited access, and web site hosting is offered at a monthly rate of $9.95 for 50MB of server space. To date, revenues from Internet services have not been material.

BuyersOnline has no plans to acquire a long distance network or establish its own infrastructure for other services it offers. As a result, BuyersOnline depends on developing and maintaining relationships with third party providers of the services and products it offers. BuyersOnline relies on the purchasing power of its members to negotiate the terms of its arrangements with providers. An additional benefit to providers is that BuyersOnline handles all billing and collection for the services purchased by its members, so that the provider avoids this cost of business. BuyersOnline believes that it is on good terms with its current providers. In the event its relationship with a provider terminates for any reason, management believes it could obtain the same services or products from other providers on terms similar to existing contracts.

Web site products and services

Beginning in July 2000, BuyersOnline offered to its members through its new Internet Portal the opportunity to buy a wide variety of consumer products and services directly from the retailer. We receive a rebate from the retailer for member purchases, and pass this rebate on to our members on their monthly billing statements for services offered directly by us. Rebates range from 1% to 30% depending on the product or service and the retailer.

We now have contracts with 185 retailers to sell products and services to our members online including auto parts, music, clothing and accessories, computer products, health and beauty products, sports products, travel services, toys, pet supplies, home and garden products, specialty food items, and office supplies. All of the retailers offer nationally recognized, name brand products and services. BuyersOnline will continually evaluate new products and services for inclusion in its Internet Portal.

Proposed services

BuyersOnline has been developing a travel service product for the past year. The proposed BuyersOnline travel savings program will include an exclusive Web site where members will have access to savings on airfare, cruises, hotels, worldwide condominiums, car rental and all-inclusive resorts. We will charge a monthly fee for access to the travel information and programs. The value for our members is derived from the discounts on travel available through the program, so no rebates will be paid to members on travel purchases.

BuyersOnline is evaluating the purchase of a database containing information on local and regional grocery store savings and discounts. We intend to offer this information to members for a monthly access fee. Since no products are purchased from or through BuyersOnline, no rebates will be paid in connection with this service.

We are now developing a private label bill paying Web site, which we intend to offer for a small monthly fee. Members will be able to pay all monthly bills, including utilities, water, etc. through this Web site.

Marketing strategy

Services everyone uses

BuyersOnline believes consumers prefer to save money where they spend it most, on services they must use each month and year. By becoming a member, a consumer or small business simply makes a choice on where to purchase essential services, not on whether to spend money on items outside its normal budget. BuyersOnline began in 1996 by selling long distance service because consumers and businesses use long distance every month and look for ways to save money on this service. This focus has enabled BuyersOnline to build the size of its membership base. With the recent explosion in Internet commerce, especially among small businesses, BuyersOnline is now offering low-cost Internet access to its members and Internet web-site hosting.

Member referral strategy

Management believes that member-generated, "word-of-mouth" referral sales is a fast and cost-effective way for BuyersOnline to increase its membership and its sales. It has focused on this marketing approach since its inception. BuyersOnline believes consumers are willing to share with their personal acquaintances a satisfying and rewarding experience with its services and products, and the recommendation of a personal acquaintance is credible. As an inducement to share this experience, BuyersOnline has adopted a rebate incentive program for members, which allows them to benefit from identifying new prospective members for BuyersOnline. Under the incentive program, members who successfully refer others to BuyersOnline receive a monthly rebate of 10% of collected usage revenue on the essential services their referrals purchase from BuyersOnline. Collected usage revenue is defined as the usage portion of a bill that is paid in full within 45 days of the statement date. The usage portion of a member's monthly bill represents the amount of essential services purchased during the month. This rebate is disbursed every month to members according to the amount of usage generated by their referrals, and is applied first to payment of the Member's bill for essential services in the next month. If the bill is paid in full and an excess rebate remains, it is carried over to the next month if less than $100 or paid by check to the member if more than $100.

A member is not required to refer any new members to BuyersOnline in order to purchase services and products from BuyersOnline on the same terms as all other members. The services and products offered meet the needs of many members, who simply want to save money on services and products. The incentive program allows members to obtain additional benefits through rebates. A member who refers a new prospective member does not process or sign new member forms for BuyersOnline. Members are not employees, independent contractors, or agents of BuyersOnline, and have no authority to sign new members.

National advertising

BuyersOnline has developed and tested a national, direct-response, marketing campaign using a 28.5-minute infomercial and a series of thirty-second, one-minute and two-minute commercials containing the endorsement of three very prominent television celebrities: Dick Clark, Della Reese, and Marie Osmond. The infomercial is designed to increase awareness of BuyersOnline and our services. We believe direct response television via the infomercial to be a leading source of new member acquisition. The infomercial was tested on national and local television between August and October of 2000. The following television stations aired the infomercial at various times of day: CNBC, LIFETIME, COURT TV, KPXE, WIPX, MUCH, KTVX, WRNN, WUTB, KRCA, WACH, KTNC, WTTA, ROMANCE, RCN and WGCB. Based on the test results for the infomercial, BuyersOnline plans to begin a national rollout in the fall of 2001 to acquire new members who will activate their memberships by choosing one or more of the monthly services we offer. We prepared a separate marketing plan for the infomercial roll out that includes, demographic targets, media planning and buying, budget and restrictions, seasonality, and program flexibility.

Each of the endorsement contracts with Dick Clark, Della Reese, and Marie Osmond are for a one-year term commencing on the date of infomercial rollout, subject to renewal for successive one-year terms. We paid to each of them $50,000 as a session fee to cover their services during filming of the infomercial. We are obligated to pay Mr. Clark and Ms. Reese a royalty of $2.50 for each new member joining BuyersOnline during the term of the agreements, an additional royalty of $1.25 for each such new member who remains a member after one year, and an additional royalty of $0.65 for each such new member who remains a member after two years. We are obligated to pay Ms. Osmond a royalty of $1.00 for each new member joining BuyersOnline during the term of the agreement, an additional royalty of $1.00 for each such new member who remains a member after one year, and an additional royalty of $1.00 for each such new member who remains a member after two years. Each of the agreements provide for minimum guaranteed royalty payments of $1,500,000 in each year of the agreements payable in installments. After rollout, BuyersOnline and Ms. Osmond may agree that she will act as spokesperson on QVC for BuyersOnline, in which case she will receive an additional royalty of $4.00 for each new member obtained through the QVC appearance, an additional royalty of $2.00 for each such new member who remains a member after one year, and an additional royalty of $1.00 for each such new member who remains a member after two years. The agreements originally provided for rollout of the infomercial to commence no later than January 1, 2001. The parties have reached a preliminary agreement to extend the rollout date to September 1, 2001. In consideration of the extension, BuyersOnline will pay to Mr. Clark, Ms. Reese, and Ms. Osmond a fee of $50,000, shorten the initial term after rollout to six months and add a second renewal term of six months, and reduce the minimum guaranteed royalty for the first and second six-month terms to $750,000 each.

Agent sales

This program was designed to cater to independent telecommunications agents around the country that are responsible for a substantial amount of annual U.S. telecommunication sales. These independent agents work on "commission only" and are attracted to BuyersOnline because of its back office support infrastructure, incentive programs, customer retention efforts and additional product/service revenue opportunities. Since the middle of 2000, BuyersOnline has engaged over 1,000 independent agents to sell its telecommunications services. The contract with any of our independent agents can be terminated by either party at any time. Agents receive a commission ranging between 5.5 percent and 30 percent on telecommunications services sold to the members they refer depending on the rate charged for services.

Internet advertising

Online marketing is an effective tool to expose BuyersOnline and its service offerings to millions of Internet users and consumers. Internet users are the Company's primary target customer for 3 reasons: first, they are familiar with the Internet and understand its workings and marketing opportunities; second, they buy products over the Internet and are the best candidates to take advantage of the Company's online shopping rebate program; and third, the Company can reduce its operating expenses by billing these members online and can communicate with them inexpensively. BuyersOnline intends to capitalize on Internet marketing by seeking opportunities to purchase or affiliate with companies that control lists of Internet users that have requested notification of service and savings opportunities similar to services we offer. Once the Company has access to an Internet list, it will offer consumers incentives through the BuyersOnline Internet Portal, such as free products, travel opportunities, prize programs, etc. to attract Internet consumers and introduce them to the benefits of membership in BuyersOnline. This strategy drives the Company's brand awareness and makes all other member acquisition techniques more efficacious. The Company has targeted several companies that control Internet lists to initiate this program.

Governmental Regulation

Long distance telecommunications carriers currently are subject to extensive federal and state government regulation, including regulation of both domestic and international tariffs for their services and certification or registration requirements. BuyersOnline is indirectly subject to these regulations because it offers long distance service provided by others. Of particular relevance to BuyersOnline is federal and state regulation of "slamming," which is the practice of changing long distance service of a consumer without proper authorization. To avoid violation of regulations in this area, BuyersOnline is required in certain states to obtain from its members authorization to change long distance service that meets certain requirements. BuyersOnline believes it is in compliance with federal and state regulation of changing long distance service.

Competition

Presently we are a reseller of long distance and Internet access services. Many of our competitors are substantially larger with greater financial and other resources.

The U.S. long distance telecommunications industry is highly competitive and significantly influenced by the marketing and pricing practices of the major industry participants, AT&T, Sprint and MCI WorldCom. AT&T, Sprint and MCI WorldCom are significantly larger than BuyersOnline and have substantially greater resources. BuyersOnline also competes with other national and regional long distance carriers, which employ various means to attract new subscribers, including television and other advertising campaigns, telemarketing programs, network marketing, cash payments and other incentives to new subscribers. The ability of BuyersOnline to compete effectively will depend on its ability to provide quality services at competitive prices.

The Internet service provider industry is highly competitive as well, and significantly influenced by the marketing and pricing practices of the major industry participants. America On Line, MSN, and Earthlink are significantly larger than BuyersOnline and have substantially greater resources. BuyersOnline also competes with other national, regional and local Internet service providers, which employ various means to attract new subscribers, including television and other advertising campaigns, telemarketing programs, network marketing, cash payments and other incentives to new subscribers. The ability of BuyersOnline to compete effectively will depend on its ability to provide quality services at competitive prices.

Building recognition of our brand is critical to attracting additional members and new strategic alliances. Our failure to promote and maintain our brand successfully may result in stunted growth, loss of customers, loss of market share and loss of strategic alliances. Accordingly, we intend to continue pursuing an aggressive brand-enhancement strategy, which includes promotional programs and public relations activities. We intend to make significant expenditures in 2001 on these advertising and promotional programs and activities, while other consumer product and service companies with much greater resources are doing the same. These expenditures may not result in a sufficient increase in net revenues to cover our advertising and promotional expenses. We cannot assure you that promoting our brand name will enable us to be competitive or increase our net revenues.

Employees

As of March 19, 2001, BuyersOnline employed a total of 62 persons, including five executives and 57 in member services, technical operations, administration, and marketing. None of its employees is represented by a labor union. BuyersOnline has experienced no work stoppages and believes that its relations with its employees are good.

History

BuyersOnline was formed as a Utah corporation under the name "Linguistix, Inc." in 1995 as a subsidiary of Twin Creek Exploration Co., Inc. ("Twin Creek"). It received certain assets of Twin Creek for its stock and was spun-off to the stockholders of Twin Creek in connection with a business reorganization between Twin Creek and an unrelated corporation. In November 1997, BuyersOnline acquired WealthNet Incorporated, a Utah corporation, through an exchange of 1,852,589 shares of BuyersOnline common stock, or approximately 92% of the outstanding shares, for all of the capital stock of WealthNet Incorporated. The transaction was accounted for as a reverse purchase acquisition, in which WealthNet Incorporated was treated as the acquiring company and BuyersOnline as the acquired Company. BuyersOnline adopted the name, "Buyers United International, Inc.," and WealthNet changed its name to "Buyers United, Inc." Since that acquisition, we have pursued the business described above, which was started by WealthNet in January 1996. In March 1999, we changed our corporate domicile from Utah to Delaware through a merger with a Delaware corporation formed for that purpose. In connection with the change in domicile, our name changed to BUI, Inc., and we effected a 1-for-4 reverse split in the issued and outstanding common stock. On April 20, 2000, our name was changed to BuyersOnline.com, Inc.

ITEM 2. DESCRIPTION OF PROPERTIES

BuyersOnline leases its executive offices in Bluffdale, Utah, a suburb of Salt Lake City. The offices consist of approximately 30,000 square feet. The current monthly lease rate is approximately $30,000. The lease for our office space expires in January 2007, but we have an option to renew the lease for an additional three to five years. We believe that the office space is adequate for BuyersOnline's anticipated needs for at least the next 15 months.

ITEM 3. LEGAL PROCEEDINGS

BuyersOnline is currently not a party to any material pending legal proceedings, and to the best of its knowledge, no such proceedings by or against BuyersOnline have been threatened.

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

At the Special Meeting of stockholders held on October 4, 2000, the stockholders voted on the following matters:

(1) The election of Theodore Stern, Rod Smith, Gary Smith, Edward Dallin Bagley, Steve Barnett, Harold C. McCray, and Steven Scott as directors of BuyersOnline to serve for a term of one year and until their successors are duly elected and qualified;

(2) Approval of an amendment to the Certificate of Incorporation to increase the number of authorized shares of common stock, par value $0.0001, to 100,000,000;

(3) Approval of an amendment to our Long Term Incentive Stock Plan increasing the number of shares of common stock authorized for granting awards under the Plan; and

(4) Ratification of the appointment of Arthur Andersen LLP as independent auditors of BuyersOnline for 2000.

Prior to the Special Meeting, Harold C. McCray tendered his resignation as a director and did not stand for re-election. Each of the foregoing matters was approved or ratified by the stockholders. The number of votes cast on the foregoing matters is as follows:

	For	Against	Abstain
Election of Directors			
Theodore Stern	2,296,897	1,072	0
Rod Smith	2,105,376	192,593	0
Gary Smith	2,296,896	1,073	0
Edward Dallin Bagley	2,296,897	1,071	0
Steve Barnett	2,293,804	4,165	0
Steven Scott	2,293,784	4,185	0
Increasing authorized common stock to 100,000,000 shares	2,255,967	30,823	11,179
Amendment to Long Term Incentive Stock Plan	1,708,947	42,252	10,917
Appointment of Arthur Andersen LLP	2,276,648	116	3,135

Following the Special Meeting, Rod Smith resigned as a director. Consequently, the persons now serving as directors of BuyersOnline are Theodore Stern, Gary Smith, Edward Dallin Bagley, Steve Barnett, and Steven Scott.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common stock of BuyersOnline trades sporadically in the over-the-counter market. The following table sets forth for the respective periods indicated the prices of the common stock in the over-the-counter market, as reported and summarized on the OTC Bulletin Board. Such prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions. In April 1999, BuyersOnline effected a 1-for-4 reverse split in the issued and outstanding common stock in connection with the change of its domicile to Delaware. Prices for the first quarter of 1999 have been adjusted retroactively to reflect the reverse split.

Calendar Quarter Ended	High Bid ($)	Low Bid ($)
March 31, 1999	4.25	1.00
June 30, 1999	3.00	3.00
September 30, 1999	2.88	2.00
December 31, 1999	2.13	1.13
March 31, 2000	5.75	1.63
June 30, 2000	5.19	1.75
September 30, 2000	3.50	1.50
December 31, 2000	2.50	0.88

Since its inception, no dividends have been paid on the common stock. BuyersOnline intends to retain any earnings for use in its business activities, so it is not expected that any dividends on the common stock will be declared and paid in the foreseeable future. There are currently outstanding 1,875,000 shares of Series A Convertible Preferred Stock and 563,800 shares of Series B Convertible Preferred Stock. Under the terms of this preferred stock, BuyersOnline cannot make any distributions on its common stock without the approval of a majority of the preferred stock. At March 28, 2001, there were approximately 4,800 holders of record of the common stock.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

BuyersOnline is engaged in the business of selling to consumers and small businesses long distance and Internet access services. The marketing strategy of BuyersOnline is based on a membership concept under which members of BuyersOnline are entitled to receive the services offered at low prices. BuyersOnline uses the purchasing power of its membership to negotiate lower cost or rebates from producers and resellers of the services and products. Lower costs allows BuyersOnline to offer more competitive pricing to attract and retain members, and makes it possible for BuyersOnline to offer rebate incentive programs to its members for referring to BuyersOnline new prospective members. BuyersOnline's goal is to build a national consumer membership organization. Its strategy for achieving this goal is to focus on expanding service and product offerings, continue its member referral and rebate program, continue development of its agent sales program, promote a television advertising program, and pursue Internet advertising to attract new members.

BuyersOnline provides services that it believes are perceived by consumers and businesses as essential or are compatible with their normal annual expenditures. Since its inception in January 1996, BuyersOnline focused on selling long distance service. This focus has enabled BuyersOnline to build the size of its membership base. With the recent explosion in Internet commerce, especially among small businesses, BuyersOnline is now offering low cost Internet access to its members.

We are now expanding our selection to include a broader range of consumer products and services, including auto parts, music, clothing and accessories, computer products, health and beauty products, sports products, travel services, toys, pet supplies, home and garden products, specialty food items, and office supplies. In the second half of 2000, BuyersOnline launched its new web site that enables members to purchase these products online and receive from BuyersOnline a rebate on each product and service purchase. By expanding its service and product offerings, BuyersOnline believes that membership will be attractive to a larger number of prospective members and existing members will have added incentive for staying with BuyersOnline.

BuyersOnline has over 21,000 members. Its target market includes networking professionals, small businesses, and middle-class families with an annual household income between $30,000 and $100,000, as these are the most likely to respond actively to the savings opportunity offered by BuyersOnline. Members reside mostly in high population centers and they tend to spend more than the average on long distance services. Approximately one-third of the present membership consists of small businesses and entrepreneurs who operate home-based businesses.

Results of Operations - Year Ended December 31, 2000 Compared to 1999

Revenues increased 55% during 2000 to $7,355,559 as compared to $4,755,687 during 1999. The increase was due to higher membership in general resulting from BuyersOnline's ongoing promotional efforts, particularly those involving independent agents. Membership at the end of 2000 increased 53% as compared to the previous year. In 1999, BuyersOnline began aggressively lowering its long distance rates, but also began negotiating with additional vendors to lower the cost of long distance service provided to members. As a result, BuyersOnline now uses four long distance wholesalers. While the costs of revenues increased 54% during 2000 to $4,773,707 as compared to $3,096,490 during 1999 due to the increase in members, the gross profit margin during 2000 remained relatively steady at 35.1% vs. 34.9% for 1999. We intend to continue negotiating lower wholesale rates and improving our gross margins as we expand and diversify our services base.

Total operating expenses other than costs of revenues increased 171% during the year ended December 31, 2000 compared to 1999. General and administrative costs in 2000 increased 136% to $5,224,290 compared to $2,217,165 in 1999. Selling and promotion costs increased 240% to $3,855,241 during 2000 from $1,132,616 in 1999. The increases in both areas stem from our ongoing efforts in significantly expanding our business. Toward the end of 1999, BuyersOnline began to increase spending in strategic areas to prepare for revenue growth during the year 2000. In the sales and promotion area, increases during 2000 stem in part from higher commissions paid in proportion to higher revenue amounts, along with additional employees hired to maintain and service the expanded agent sales channel. BuyersOnline also hired personnel to continue expanding existing, and develop new sales channels. Almost one-third of the increase in selling and promotion expense resulted from the costs of production of an infomercial, which we plan to televise during 2001. In the general and administrative categories, most of the higher costs resulted from an increase in internal and external information technology personnel and other resources obtained to significantly increase BuyersOnline's ability to handle the higher order rate expected once the infomercial begins regular broadcasts. BuyersOnline also developed and implemented a new web page launched in August 2000, in part to prepare for infomercial marketing support, but also to increase agent marketing support. It also allows members to purchase online varied unrelated products and services from outside vendors through BuyersOnline's Internet Portal. The vendors then will pay BuyersOnline rebates which will be passed on to the members. In addition, general and administrative expenses were higher due to executive support of the infomercial development process, fund raising efforts conducted throughout the year, and an overall increase in administrative support personnel required to implement our increased activity during the year. During January 2001, the Company took steps to halt any further significant increases in operating costs not directly related to existing revenues such as costs of revenues or commissions. The Company feels that cost levels at the end of 2000 and beginning of 2001 are sufficient to enable it to continue sales increases in existing channels, and does not plan on increasing administrative support or promotional costs associated with the infomercial until the related financing is accomplished.

Interest income for 2000 was $21,943 as compared to $49,454 in 1999. The difference is attributable to the amount of funds on hand during 1999, primarily as a result of the Series A preferred stock offering completed during 1999's third quarter. Interest expense for 2000 was $1,626,212 as compared to $123,628 for 1999. Interest expense for 2000 included $614,119 of amortization of discounts on notes payable. The discounts resulted from a portion of the debt proceeds being allocated to warrants issued together with the loans. Interest expense also included an interest charge of $722,050 related to a beneficial conversion feature associated with the modification and extension of a $1,050,000 note payable. Excluding the discount amortization and beneficial conversion feature, interest expense increased 135% as a result of higher interest rates and higher overall borrowings in 2000.

During 2000, BuyersOnline recognized an extraordinary loss of $1,024,574 on early extinguishment of debt. BuyersOnline obtained $2,545,000 of debt financing during 2000, which was subsequently exchanged for Series B 8% cumulative convertible preferred stock and warrants to purchase common stock. The difference between the estimated fair value of the Series B preferred stock and warrants and the carrying amount of the debt was recognized as a loss on early extinguishment of debt.

As a result of the above factors, the net loss before preferred stock dividends increased 417% to $9,126,522 for 2000 as compared to $1,764,758 for 1999. During 2000, preferred stock dividends amounted to $2,481,592, consisting of $383,458 of 8% cumulative dividends on outstanding shares of Series A 8% cumulative convertible preferred stock and Series B preferred stock and $2,098,134 of preferred stock dividends related to the beneficial conversion feature associated with the issuance of 453,800 shares of Series B preferred stock. During 1999, $160,127 of preferred stock dividends were recorded related to Series A preferred stock.

Liquidity and Capital Resources

BuyersOnline has suffered recurring losses from operations. During the years ended December 31, 2000 and 1999, our net loss applicable to common stockholders was $11,608,114 and $1,924,885, respectively. As of December 31, 2000, we had a working capital deficit of $3,866,430 and an accumulated deficit of $18,803,645. During the years ended December 31, 2000 and 1999, our operations used $3,476,070 and $1,910,397 of cash, respectively. These matters raise substantial doubt about the Company's ability to continue as a going concern. Subsequent to December 31, 2000, the Company has obtained $1,100,000 of additional funding through the sale of convertible preferred stock and warrants and has received $390,000 of short-term debt financing. However, BuyersOnline needs additional capital to finance future operations until its business objectives are implemented and generate sufficient revenue to sustain the business. Management is attempting to raise additional capital to fund operations and provide working capital; however, there can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms or in required amounts. If we do not obtain financing, there is no assurance that BuyersOnline will succeed in achieving profitable operations. We estimate that we will need additional capital of approximately $12 million to fund operating expenses, plus fund our proposed marketing and expansion programs through the end of 2001.

BuyersOnline's current ratio at the end of 2000 declined to 0.3:1 from 1.7:1 at the end of 1999. The primary reasons for the decline was the cash used to fund operations during the year and the related increase in accrued liabilities and accounts payable. Accrued liabilities rose due to higher accrued payroll and commission costs resulting from the overall increases in employees during the year and the higher revenue amounts, respectively. In addition, accrued dividends payable were higher at the end of the year as a result of the additional preferred stockholders from the Series B preferred stock offering. Accrued liabilities were also higher due to accrued severance costs primarily payable to the former chief executive officer. Accounts payable rose during the year due to the higher overall level of costs attained during the year, along with proportionately higher revenue-related excise taxes billed and owing at the end of the respective periods. In addition, current liabilities rose as a result of reclassifying from long-term to short-term a $1,050,000 note payable and from the addition of a $100,000 short-term promissory note due to a member of the board of directors.

In March 2000, BuyersOnline reached an agreement to extend repayment of the outstanding note payable in the amount of $1,050,000 to April 15, 2001. Under the terms of the extension, BuyersOnline agreed to increase the interest rate on the note to 18% per annum beginning April 15, 2000, grant the holder the right to convert the note to common stock at the rate of $3.00 of principal per share, or a total of 350,000 shares, and grant the holder the right to register the shares of common stock for resale under the Securities Act of 1933 under certain circumstances. In March 2001, the note holder agreed to extend the due date to June 1, 2001.

During 2000, BuyersOnline raised $2,795,000 in loans from management and accredited investors as defined in Rule 501 of Regulation D adopted under the Securities Act of 1933. As an inducement to make the loans, we issued to the lenders warrants to purchase 1,432,500 shares of common stock at exercise prices of between $2.00 and $2.50 per share. In September, the Company entered into a unit sales agreement with First Level Capital, Inc., a stock brokerage firm, providing for the sale of up to 1,234,500 units, each unit consisting of one share of Series B 8% cumulative convertible preferred stock and five common stock purchase warrants at an offering price of $10.00 per unit or a total of $12,345,000. Loans in the amount of $2,545,000 were exchanged in the offering for 254,500 units. An additional 199,930 units were sold for cash of $1,993,000 before the end of 2000 and 110,000 units have been sold for $1,100,000 in cash since the beginning of 2001. All of these sales were made to accredited investors. Each share of Series B preferred stock is convertible to five shares of common stock, subject to adjustment under certain circumstances. Each warrant included in the units entitles the holder to purchase one share of common stock at an exercise price of $2.50 per share and expire in December 2002. As commissions for its sales effort, First Level Capital and its affiliates received cash payments of $476,840 and warrants to purchase 351,800 shares of common stock on terms identical to the warrants except that the term was for five years instead of two. All of the foregoing securities were offered and sold in reliance on the exemptions from registration contained in Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D.

BuyersOnline will continue to pursue additional financing in 2001. In February 2001, we entered into a financial advisory agreement with Copp Wheelock Partners, LLC, of Addison, Texas, under which Copp Wheelock will assist us in locating strategic alliances or acquisitions related to products, services, and marketing, and locating potential sources of financing for our operations. As compensation for these services we paid to Copp Wheelock a base fee of $10,000, and have agreed to pay an additional $10,000 upon obtaining additional financing. Copp Wheelock will also receive success fee ranging from 1.25% to 7.00% on each financing or strategic partner transaction resulting from its services. If Copp Wheelock locates at least $1,000,000 in financing for BuyersOnline, we will pay a monthly advisory fee of $10,000 over a term of not less than five months. Further, we agreed to issue to Copp Wheelock warrants to purchase up to 300,000 shares of common stock at an exercise price of $2.50 per share over a term of five years that vest incrementally based on financing of up to $3,000,000 obtained through Copp Wheelock. Additional warrants may be issued up to a maximum 3% fully diluted equity interest in BuyersOnline for additional financings obtained under the agreement. In January 2001, BuyersOnline entered into a finder agreement with Howard Bronson Associates, Inc., of New York City, New York, under which we paid Howard Bronson & Associates a $10,000 retainer and agreed to pay an additional 3% of funds realized through any financing source identified by Howard Bronson Associates.

The Company is currently in the final stages of negotiations with a financing company to provide a line of credit secured by BuyersOnline's billed and unbilled accounts receivable. In addition, the Company has begun efforts with various parties to secure additional financing in order to begin significant infomercial broadcasting during the latter part of 2001. However, there can be no assurance that the Company will successfully complete its efforts to raise additional amounts sufficient for the Company to achieve profitable results in the long term.

Forward-looking statements

The Private Securities Litigation Reform Act of 1985 provides a safe harbor for forward-looking statements made by BuyersOnline. All statements, other than statements of historical fact, which address activities, actions, goals, prospects, or new developments that BuyersOnline expects or anticipates will or may occur in the future, including such things as expansion and growth of its operations and other such matters are forward-looking statements. Any one or a combination of factors could materially affect BuyersOnline's operations and financial condition. These factors include the availability of capital, competitive pressures, success or failure of marketing programs, changes in pricing and availability of services and products offered to members, legal and regulatory initiatives affecting long distance service, and conditions in the capital markets. Forward-looking statements made by BuyersOnline are based on knowledge of its business and the environment in which it operates as of the date of this report. Because of the factors listed above, as well as other factors beyond its control, actual results may differ from those in the forward-looking statements.

ITEM 7. FINANCIAL STATEMENTS

The financial statements of BuyersOnline appear at the end of this report beginning with the Index to Financial Statements on page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants from January 2000 to the present.

PART III

The information required by each of the Items listed below is incorporated herein by reference to the definitive proxy statement of BuyersOnline for the 2001 annual meeting of stockholders, which BuyersOnline proposes to file with the Securities and Exchange Commission on or before April 30, 2001:

Information required by "Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(A) of the Exchange Act," is incorporated by reference to the proposed caption "Directors and Executive Officers" in the proxy statement;

Information required by "Item 10. Executive Compensation," is incorporated by reference to the proposed caption "Executive Compensation" in the proxy statement;

Information required by "Item 11. Security Ownership of Certain Beneficial Owners and Management," is incorporated by reference to the proposed caption "Security Ownership of Management and Principal Stockholders" in the proxy statement; and

Information required by "Item 12. Certain Relationships and Related Transactions," is incorporated by reference to the proposed caption "Certain Relationships and Related Transactions" in the proxy statement.

ITEM 13.
EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

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

Exhibit No.	SEC Ref. No.	Title of Document	Location*
1	(2)	Agreement and Plan of Merger dated March 15, 1999	Form 10-SB
2	(3)	Certificate of Incorporation	Form 10-SB
3	(3) & (4)	Certificate of Designation of Preferred Stock	Form 10-SB
4	(3)	By-Laws	Form 10-SB
5	(10)	Options granted to Rod Smith	Form 10-SB

6	(10)	Options granted to Gary Smith	Form 10-SB
7	(10)	Options granted to G. Douglas Smith	Form 10-SB
8	(10)	Options granted to Paul Jarman	Form 10-SB
9	(10)	Long-Term Stock Incentive Plan	Form 10-SB
10	(10)	Commercial Lease	Form 10-SB
11	(10)	Memorandum of Agreement with Gary Smith dated May 11, 1999	Form 10-SB Am. No. 1
12	(10)	Consulting Agreement with First Level Capital	Form 10-SB Am. No. 3
13	(10)	Memorandum of Agreement with Gary Smith dated July 20, 1999	1999 Fm 10K
14	(10)	Note Restructuring Agreement with George Brimhall dated March 16, 2000	1999 Fm10K
15	(21)	List of Subsidiaries	1999 Fm10K
16	(3.16)	Series B Preferred Stock Designation	Page E-1
17	(4.17)	Form of Registration Rights Agreement	Page E-9
18	(10.18)	Selling Agent Agreement with First Level Capital Dated September 7, 2000	Page E-20
19	(10.19)	Form of Sales Agent Agreement	Page E-40
20	(10.20)	Financial Advisory Services Agreement with Copp Wheelock Partners dated February 1, 2001	Page E-46
21	(10.21)	Financial Advisory Services Agreement with Howard Bronson Associates dated January 25, 2001	Page E-56
22	(10.22)	Internet Service Agreement with Zaibon Dated March 13, 2001	Page E-58
23	(10.23)	Form of Warrant issued to lenders	Page E-68
24	(10.24)	Form of Warrant issued as part of units with Series B Preferred Stock	Page E-76
25	(10.25)	Agreement with Olive Enterprises, Inc., regarding the services of Dick Clark dated April 25, 2000	Page E-84
26	(10.26)	Agreement with D.R. JR., Inc., regarding the services of Della Reese dated April 25, 2000	Page E-94

27	(10.27)	Agreement with Marie, Inc., regarding the services of Marie Osmond dated June 15, 2000	Page E-104

* Exhibits identified as in the "Form 10-SB" are incorporated herein by this reference to the Registration Statement on Form 10-SB filed by BuyersOnline with the Securities and Exchange Commission on August 3, 1999. Exhibits identified as in "Form 10-SB Am. No. 1" are incorporated herein by this reference to Amendment No. 1 to the Registration Statement on Form 10-SB/A filed September 21, 1999. Exhibits identified as in "Form 10-SB Am. No. 3" are incorporated herein by this reference to Amendment No. 3 to the Registration Statement on Form 10-SB/A filed November 15, 1999. Exhibits identified as in "1999 Fm 10K" are incorporated herein by this reference to the annual report on Form 10-KSB for the year ended December 31, 1999, filed April 14, 2000.

Form 8-K Filings

No reports on Form 8-K were filed in the last calendar quarter of 2000.

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.

BUYERSONLINE.COM, INC.

Date: March 30, 2001 By: /s/ Theodore Stern, Chief Executive 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 30, 2001 /s/ Theodore Stern, Chief Executive Officer and Director

Date: March 30, 2001 /s/ Paul Jarman, Chief Financial Officer and Treasurer

Date: March 30, 2001 /s/ Steve Barnett, Director

Date: April 6, 2001 /s/ Steven Scott, Director

Date: March 30, 2001 /s/ Gary Smith, Director

Date: March 30, 2001 /s/ Edward Dallin Bagley, Director

BUYERSONLINE, INC. AND SUBSIDIARY

Consolidated Financial Statements

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To BuyersOnline.com, Inc.:

We have audited the accompanying consolidated balance sheet of BuyersOnline.com, Inc. (a Delaware corporation, formerly BUI, Inc.) and subsidiary as of December 31, 2000 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years ended December 31, 2000 and 1999. 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. 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 financial statements referred to above present fairly, in all material respects, the financial position of BuyersOnline.com, Inc. and subsidiary as of December 31, 2000 and the results of their operations and their cash flows for the years ended December 31, 2000 and 1999 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations. During the years ended December 31, 2000 and 1999, the Company's net loss applicable to common stockholders was $11,608,114 and $1,924,885, respectively. As of December 31, 2000, the Company had a working capital deficit of $3,866,430 and an accumulated deficit of $18,803,645. During the years ended December 31, 2000 and 1999, the Company's operations used $3,476,070 and $1,910,397 of cash, respectively. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

ARTHUR ANDERSEN LLP

Salt Lake City, Utah
March 29, 2001

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

As of December 31, 2000

ASSETS

Current assets:	
Cash	$ 56,825
Restricted cash	227,770
Accounts receivable, net of allowance for doubtful accounts of $296,000	1,547,282
Other current assets	212,155
Total current assets	2,044,032
Property and equipment:	
Computer and office equipment	966,715
Internal-use software and web-site development costs	1,500,823
Furniture and fixtures	204,975
Less accumulated depreciation and amortization	(521,848)
Property and equipment, net	2,150,665
Other assets	208,210
Total assets	$ 4,402,907

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:	
Notes payable	$ 1,187,865
Current portion of capital lease obligations	313,498
Accounts payable	3,449,246
Accrued liabilities	660,421
Accrued dividends payable on preferred stock	223,896
Accrued rebates	75,536
Total current liabilities	5,910,462
Capital lease obligations, net of current portion	314,756
Total liabilities	6,225,218
Commitments and contingencies (Notes 1, 4 and 6)	
Stockholders' deficit:	
Preferred stock, $0.0001 par value; 5,000,000 shares authorized;	
Series A 8% cumulative convertible preferred stock; 1,875,000 shares issued and outstanding (liquidation value of $3,750,000)	188
Series B 8% cumulative convertible preferred stock; 453,800 shares issued and outstanding (liquidation value of $4,538,000)	45
Common stock, $0.0001 par value; 100,000,000 shares authorized; 3,988,940 shares issued and outstanding	399
Additional paid-in capital	13,005,703
Warrants and options outstanding	4,073,144
Deferred consulting fees	(98,145)
Accumulated deficit	(18,803,645)
Total stockholders' deficit	(1,822,311)
Total liabilities and stockholders' deficit	$ 4,402,907

See accompanying notes to consolidated financial statements.

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2000	1999
Revenues:		
Telecommunications services	$ 7,311,520	$ 4,728,343
Other	44,039	27,344
Total revenues	7,355,559	4,755,687
Operating expenses:		
Costs of revenues	4,773,707	3,096,490
General and administrative	5,224,290	2,217,165
Selling and promotion	3,855,241	1,132,616
Total operating expenses	13,853,238	6,446,271
Loss from operations	(6,497,679)	(1,690,584)
Other income (expense):		
Interest income	21,943	49,454
Interest expense	(1,626,212)	(123,628)
Total other expense	(1,604,269)	(74,174)
Loss before extraordinary item	(8,101,948)	(1,764,758)
Extraordinary item - loss on early extinguishment of debt	(1,024,574)	-
Net loss	$(9,126,522)	$ (1,764,758)
Preferred stock dividends:		
8% dividends on Series A and B preferred stock	(383,458)	(160,127)
Beneficial conversion feature related to Series B preferred stock	(2,098,134)	-
Total preferred stock dividends	(2,481,592)	(160,127)
Net loss applicable to common stockholders	$(11,608,114)	$ (1,924,885)
Basic and diluted net loss per common share:		
Net loss applicable to common stockholders before extraordinary item	$ (2.84)	$ (0.60)
Extraordinary item – loss on early extinguishment of debt	(0.28)	-
Net loss applicable to common stockholders	$ (3.12)	$ (0.60)
Weighted average common shares outstanding:		
Basic and diluted	3,724,671	3,223,090

See accompanying notes to consolidated financial statements.

BUYERSONLINE.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid-in
	Shares	Amount	Shares	Amount	Capital
Balance at December 31, 1998	-	$ -	2,949,549	$295	$3,610,152
Retirement of treasury shares	-	-	(74,162)	(7)	(141,793)
Issuance of common shares for cash	-	-	47,000	5	150,653
Issuance of common shares upon exercise of options	-	-	19,468	2	52,409
Issuance of common shares for services	-	-	4,480	-	8,951
Issuance of common shares upon conversion of note payable	-	-	62,500	6	124,994
Issuance of options for consulting services	-	-	-	-	126,971
Issuance of Series A preferred stock, net of offering costs	2,000,000	200	500,000	50	3,213,838
Preferred stock dividends	-	-	-	-	-
Net loss	-	-	-	-	-
Balance at December 31, 1999	2,000,000	200	3,508,835	351	7,146,175
Issuance of common shares and warrants for cash	-	-	150,000	15	187,184
Issuance of common shares for services	-	-	28,650	3	62,316
Conversion of preferred shares to common	(125,000)	(12)	125,000	12	-
Issuance of warrants for services and in connection with consulting agreements	-	-	-	-	-
Amortization of deferred consulting fees	-	-	-	-	-
Issuance of warrants with notes payable	-	-	-	-	-
Issuance of options for debt guarantee	-	-	-	-	-
Beneficial conversion feature in connection with debt extension	-	-	-	-	722,050
Imputed interest on notes payable	-	-	-	-	37,742
Issuance of Series B preferred stock and warrants, net of offering costs	199,300	20	-	-	909,285
Issuance of Series B preferred stock and warrants upon conversion of notes payable	254,500	25	-	-	1,523,146
Beneficial conversion dividend on Series B preferred stock	-	-	-	-	2,098,134
Preferred stock dividends	-	-	-	-	-
Issuance of common shares as payment of accrued preferred stock dividends	-	-	176,455	18	319,671
Net loss	-	-	-	-	-
Balance at December 31, 2000	2,328,800	$ 233	3,988,940	$ 399	$13,005,703

See accompanying notes to consolidated financial statements.

BUYERSONLINE.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Treasury Stock		Warrants/ Options	Deferred Consulting
	Shares	Amount	Outstanding	Fees
Balance at December 31, 1998	(74,162)	$(141,800)	$ 52,411	$ -
Retirement of treasury shares	74,162	141,800	-	-
Issuance of common shares for cash	-	-	-	-
Issuance of common shares upon exercise of options	-	-	(52,411)	-
Issuance of common shares for services	-	-	-	-
Issuance of common shares upon conversion of note payable	-	-	-	-
Issuance of options for consulting services	-	-	-	-
Issuance of Series A preferred stock, net of offering costs	-	-	179,500	-
Preferred stock dividends	-	-	-	-
Net loss	-	-	-	-
Balance at December 31, 1999	-	-	179,500	-
Issuance of common shares and warrants for cash	-	-	112,801	-
Issuance of common shares for services	-	-	-	-
Conversion of preferred shares to common	-	-	-	-
Issuance of warrants for services and in connection with consulting agreements	-	-	473,703	(429,069)
Amortization of deferred consulting fees	-	-	-	330,924
Issuance of warrants with notes payable	-	-	1,427,654	-
Issuance of options for debt guarantee	-	-	103,200	-
Beneficial conversion feature in connection with debt extension	-	-	-	-
Imputed interest on notes payable	-	-	-	-
Issuance of Series B preferred stock and warrants, net of offering costs	-	-	754,457	-
Issuance of Series B preferred stock and warrants upon conversion of notes payable	-	-	1,021,829	-
Beneficial conversion dividend on Series B preferred stock	-	-	-	-
Preferred stock dividends	-	-	-	-
Issuance of common shares as payment of accrued preferred stock dividends	-	-	-	-
Net loss	-	-	-	-
Balance at December 31, 2000	-	$ -	$4,073,144	$ (98,145)

See accompanying notes to consolidated financial statements.

BUYERSONLINE.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Accumulated Deficit	Total
Balance at December 31, 1998	$ (5,270,646)	$(1,749,588)
Retirement of treasury shares	-	-
Issuance of common shares for cash	-	150,658
Issuance of common shares upon exercise of options	-	-
Issuance of common shares for services	-	8,951
Issuance of common shares upon conversion of note payable	-	125,000
Issuance of options for consulting services	-	126,971
Issuance of Series A preferred stock, net of offering costs	-	3,393,588
Preferred stock dividends	(160,127)	(160,127)
Net loss	(1,764,758)	(1,764,758)
Balance at December 31, 1999	(7,195,531)	130,695
Issuance of common shares and warrants for cash	-	300,000
Issuance of common shares for services	-	62,319
Conversion of preferred shares to common	-	-
Issuance of warrants for services and in connection with consulting agreements	-	44,634
Amortization of deferred consulting fees	-	330,924
Issuance of warrants with notes payable	-	1,427,654
Issuance of options for debt guarantee	-	103,200
Beneficial conversion feature in connection with debt extension	-	722,050
Imputed interest on notes payable	-	37,742
Issuance of Series B preferred stock and warrants, net of offering costs	-	1,663,762
Issuance of Series B preferred stock and warrants upon conversion of notes payable	-	2,545,000
Beneficial conversion dividend on Series B preferred stock	(2,098,134)	-
Preferred stock dividends	(383,458)	(383,458)
Issuance of common shares as payment of accrued preferred stock dividends	-	319,689
Net loss	(9,126,522)	(9,126,522)
Balance at December 31, 2000	$(18,803,645)	$(1,822,311)

See accompanying notes to consolidated financial statements.

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2000	1999
Cash flows from operating activities:		
Net loss	$ (9,126,522)	$ (1,764,758)
Adjustments to reconcile net loss to net cash used in operating activities:		
Extraordinary item – loss on early extinguishment of debt	1,024,574	-
Interest expense associated with beneficial conversion feature in connection with debt extension	722,050	-
Amortization of discount on notes payable	614,119	-
Depreciation and amortization	331,027	103,024
Issuance of warrants for services and amortization of deferred consulting fees	375,558	126,971
Issuance of common shares for services	62,319	8,951
Amortization of interest imputed on notes payable	36,356	-
Changes in operating assets and liabilities:		
Restricted cash	(57,083)	(128,424)
Accounts receivable	(657,385)	(258,573)
Other current assets	67,011	(11,919)
Accounts payable	2,727,418	41,221
Accrued liabilities	434,362	(58,402)
Accrued rebates	(29,874)	31,512
Net cash used in operating activities	(3,476,070)	(1,910,397)
Cash flows from investing activities:		
Purchases of property and equipment	(1,409,157)	(178,093)
Purchase of other assets	(208,210)	-
Net cash used in investing activities	(1,617,367)	(178,093)
Cash flows from financing activities:		
Proceeds from borrowings under notes payable	2,795,000	49,000
Principal payments on notes payable	(169,148)	(396,285)
Principal payments on capital lease obligations	(372,059)	(42,454)
Issuance of common shares for cash	300,000	165,000
Issuance of preferred shares for cash	1,993,000	4,000,000
Payment of offering costs related to stock and note issuances	(485,238)	(620,754)
Net cash provided by financing activities	4,061,555	3,154,507
Net increase (decrease) in cash	(1,031,882)	1,066,017
Cash at the beginning of the year	1,088,707	22,690
Cash at the end of the year	$ 56,825	$ 1,088,707

See accompanying notes to consolidated financial statements.

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS – (CONTINUED)

	Year Ended December 31, 2000	Year Ended December 31, 1999
Supplemental cash flow information:		
Cash paid for interest	$ 250,186	$ 163,336
Supplemental schedule of noncash investing and financing activities:		
Conversion of notes payable to common shares	$ 2,545,000	$ 125,000
Exercise of stock options in connection with settlement of founders' agreements	-	52,411
Issuance of warrants with notes payable	1,427,654	-
Issuance of warrants with preferred shares	1,776,286	179,500
Declaration of preferred stock dividends	383,458	160,127
Issuance of common shares as payment of preferred stock dividends	319,689	-
Beneficial conversion dividend on Series B preferred shares	2,098,134	-
Retirement of 74,162 shares of treasury stock	-	141,800
Equipment acquired under capital lease arrangements	719,954	197,650

See accompanying notes to consolidated financial statements.

BUYERSONLINE.COM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Company and Nature of Operations

The Company was originally incorporated in Utah on January 16, 1996 as WealthNet Incorporated ("WealthNet"). On November 13, 1997, WealthNet was merged into Linguistix Acquisition Inc. ("LAI"), a Utah corporation and wholly-owned subsidiary of Linguistix, Inc. ("Linguistix") (the "Linguistix Merger"). LAI was the surviving corporation and changed its name to Buyers United, Inc. ("Buyers United") in connection with the Linguistix Merger . In connection with the Linguistix Merger, Linguistix changed its name to Buyers United International, Inc. ("BUII").

BUI, Inc. was incorporated in the state of Delaware on March 15, 1999 for the purpose of reincorporating BUII as a Delaware corporation. Effective April 9, 1999, BUII was merged into BUI, Inc. (the "BUI Merger"). In the BUI Merger, every four shares of BUII common stock and every four options to purchase shares of BUII's common stock were converted into one share of common stock of BUI, Inc. or options to purchase one share of BUI Inc.'s common stock. The accompanying consolidated financial statements have been retroactively restated to reflect the effect of the BUI Merger.

On April 20, 2000, BUI, Inc. changed its name to BuyersOnline.com, Inc. in connection with the Company's plan to advertise and promote its products and services through the Internet.

BuyersOnline.com, Inc., BUI, Inc., BUII, Buyers United and WealthNet are collectively referred to herein as the "Company."

The Company is a consumer buying organization with the objective of providing high quality consumer products and services at favorable prices to its members. The Company forms strategic alliances with various consumer service providers in an effort to combine the purchasing power of its members to negotiate favorable prices from these providers. The Company markets its products and services principally by offering incentives to its members to refer additional members to the Company's products and services. During the years ended December 31, 2000 and 1999, the Company primarily provided discounted long distance telecommunication services to its members.

The Company has suffered recurring losses from operations. During the years ended December 31, 2000 and 1999, the Company's net loss applicable to common stockholders was $11,608,114 and $1,924,885, respectively. As of December 31, 2000, the Company had a working capital deficit of $3,866,430 and an accumulated deficit of $18,803,645. Additionally, as of December 31, 2000 the Company had past due accounts payable of $1,161,050. During the years ended December 31, 2000 and 1999, the Company's operations used $3,476,070 and $1,910,397 of cash, respectively. These matters raise substantial doubt about the Company's ability to continue as a going concern. As discussed in Note 9, subsequent to December 31, 2000 the Company has obtained $1,100,000 of additional funding through the sale of convertible preferred stock and warrants and $390,000 of additional short-term debt financing. However, the Company needs additional capital to finance future operations until its business objectives are implemented and generate sufficient revenue to sustain the business. Management is attempting to raise additional equity capital to fund operations and provide working capital; however, there can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms or in required amounts. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

The Company is subject to certain risk factors frequently encountered by companies lacking adequate capital and which are in the early stages of developing a business line that may impact its ability to become a profitable enterprise. These risk factors include:

a) The consumer buying organization industry is characterized by intense competition, and many of the Company's competitors are substantially larger than the Company with greater financial and other resources. In addition, the Company is currently marketing telecommunications services, including long distance services, to its members. The U.S. long distance telecommunications industry is highly competitive and significantly influenced by the marketing and pricing strategies of the major industry participants, which are significantly larger than the Company and have substantially greater resources.

b) The Company's relationship marketing system is or may be subject to or affected by extensive government regulation, including without limitations, state regulation of marketing practices and federal and state regulation of the offer and sale of business franchises, business opportunities, and securities. Long distance telecommunications carriers currently are subject to extensive federal and state government regulation.

c) Additional funds will be required to finance the Company's operations until profitability can be achieved and to fund the repayment of debt obligations and other liabilities. There can be no assurance that the additional funding will be available or, if available, that it will be available on acceptable terms or in required amounts.

2. Summary of Significant Accounting Policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of BuyersOnline.com, Inc. and its wholly-owned subsidiary, Buyers United. 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 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.

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 the Company has risks and rewards of ownership, such as risk of loss for collection, delivery, or returns. With respect to commission or other agent or broker arrangements, the Company recognizes net commission revenues. Revenues from sales of products are recognized upon shipment of the products to the customers and revenues from commissioned services are recognized as the services are provided.

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. In March 2000, the Emerging Issues Task Force issued its consensus on Issue No. 00-2, "Accounting for Web Site Development Costs." Pursuant to this pronouncement, the Company has capitalized the direct costs of major development related to its web site.

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 and web site development costs	2 years
Furniture and fixtures	3 to 7 years

Upon retirement or other disposition of property and equipment, the book value is removed from the asset and related accumulated depreciation accounts, and the net gain or loss is included in the determination of net income (loss).

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.

Member incentive payments

Each month the Company rebates ten percent of collected usage revenue to its members under an incentive program. Collected usage revenue is defined as the usage portion of a bill that is paid in full within 45 days of the statement date. This rebate pool is disbursed every month to qualifying members according to the amount of usage generated by their referrals.

The Company accounts for rebates by recording an accrual for the estimated rebates to be paid applicable to each month's revenues. The rebates are included in selling and promotion expense in the accompanying statements of operations. The rebates amounted to $467,596 and $380,375 during the years ended December 31, 2000 and 1999, respectively. As of December 31, 2000, accrued rebates amounted to $75,536.

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 loss per common share

Basic net loss per common share ("Basic EPS") excludes dilution and is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted net 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.

Outstanding options to purchase 3,053,019 and 1,494,838 shares of common stock as of December 31, 2000 and 1999, respectively; 4,144,000 and 2,000,000 shares of common stock issuable upon the conversion of preferred stock as of December 31, 2000 and 1999, respectively; and 4,601,382 and 125,000 shares of common stock issuable upon exercise of warrants to purchase common stock as of December 31, 2000 and 1999, respectively, were not included in the computation of Diluted EPS because they would be antidilutive.

Recent Accounting Pronouncements

In June 1998, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued. SFAS 133 establishes new accounting and reporting standards for companies to report information about derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. This statement, as amended, will be adopted by the Company effective January 1, 2001. The adoption of this statement is not expected to have a material impact on the Company's results of operations, financial position or liquidity.

3. Notes Payable

As of December 31, 2000, the Company had a $1,050,000 note payable to an individual bearing interest at 18 percent, payable monthly and was due April 15, 2001. The note was originally due April 15, 2000. On March 16, 2000, the Company amended the terms of the note to extend the maturity. The amended note provided a conversion feature whereby the holder may convert the note into common stock at $3.00 per share. On the date of the amendment the quoted market value of the Company's common stock exceeded the conversion price of $3.00 per share; therefore, the Company recorded a non-cash charge to interest expense of $722,050 representing the intrinsic value of the beneficial conversion feature. The note is secured by certain assets of, and guaranteed by a director of the Company. In connection with the extension of the note term, the guarantor was issued options to purchase 50,000 common shares at $2.95 per share to extend his guarantee. The estimated value of the options of $103,200, as determined by the Black-Scholes option pricing model, was recorded as debt financing costs and is being amortized to interest expense over the term of the note. Subsequent to December 31, 2000, the noteholder has agreed to extend the due date to June 1, 2001 under the same terms and conditions.

During 2000, the Company entered into an arrangement with a financing company to pay certain insurance premiums. As of December 31, 2000, there was $39,252 still owing and due in monthly payments of $6,668 through March 2001. The amount owed under the arrangement bears interest at 6.6 percent. The amount owed under this arrangement has been included in notes payable.

Also during 2000, various investors, including three members of the Company's Board of Directors, loaned the Company $2,795,000 under promissory note agreements. Certain of the notes were non-interest bearing for an initial term and if not repaid bore interest at rates ranging from 12 to 18 percent. The Company imputed interest of $37,742 for the non-interest periods which was recorded as a discount on the notes. The other agreements bore interest at rates ranging from 12 to 18 percent. One note for $150,000 was repaid, an 18 percent $100,000 note remained outstanding at December 31, 2000 with a carrying amount of $98,613, net of discount, and a due date of January 31, 2001. The remaining $2,545,000 of notes were exchanged for shares of Series B 8% cumulative convertible preferred stock and warrants in October 2000 (see Notes 7 and 8).

In connection with the loans described above, the Company issued 1,432,500 warrants to the note holders and 32,500 warrants to the Placement Agent. The warrants entitle the holders to purchase shares of common stock at prices ranging between $2.00 and $2.50 per share until June 30, 2005. The estimated fair value of the warrants of $1,427,654, 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 was being amortized to interest expense over the term of the notes. When the notes were subsequently exchanged for Series B preferred stock and warrants to purchase common stock, the difference between the estimated fair value of the Series B preferred stock and warrants and the carrying amount of the debt was recognized as an extraordinary loss on early extinguishment of debt. The extraordinary loss on early extinguishment amounted to $1,024,574.

4. Leases

In December 2000, the Company moved all of its operations into one new building and entered into a noncancellable operating lease agreement for the office space. The Company also has entered into operating leases for various pieces of office equipment.

The Company has two capital leases for software and computer equipment. The Company has placed $175,000 in escrow as restricted cash as collateral for these leases. The following is a schedule of future minimum payments under the leases as of December 31, 2000:

Year ending December 31,	Capital leases	Operating leases
2001	$ 377,331	$ 341,257
2002	336,921	376,581
2003	-	379,906
2004	-	387,681
2005	-	397,373
Thereafter	-	824,797
Total future minimum lease payments	714,252	$ 2,707,595
Less amount representing interest	(85,998)	
Total obligations under capital leases	628,254	
Less current portion	(313,498)	
Capital lease obligations, net of current portion	$ 314,756	

As of December 31, 2000, the Company leased software and equipment under capital leases with an original cost of $861,937 and accumulated amortization of $76,523.

5. Income Taxes

The components of the Company's net deferred income tax assets and liabilities as of December 31, 2000 are as follows:

Deferred income tax assets:	
Net operating loss carryforwards	$ 4,544,000
Reserves and accrued liabilities	313,000
Other	140,000
Total deferred income tax assets	4,997,000
Valuation allowance	(4,586,000)
Net deferred income tax asset	411,000
Deferred income tax liabilities:	
Capitalized software costs	(293,000)
Tax depreciation in excess of book depreciation	(118,000)
Net deferred income tax liability	(411,000)
Net deferred income taxes	$ -

As of December 31, 2000, the Company had net operating loss carryforwards for federal income tax reporting purposes of approximately $12,117,000. For federal income tax purposes, utilization of these carryforwards is limited if the Company has had more than a 50 percent change in ownership (as defined by the Internal Revenue Code) or, under certain conditions, if such a change occurs in the future. The Company has not performed an analysis to determine if any such limitations have occurred. The tax net operating loss carryforwards will expire beginning in 2012.

No benefit for income taxes has been recorded during the year ended December 31, 2000. As discussed in Note 1, certain risks exist with respect to the Company's ability to continue as a going concern and due to this and other uncertainties, the Company's deferred income tax assets may not be realized. Accordingly, a valuation allowance has been recorded to reduce the deferred income tax assets.

6. Commitments and contingencies

The Company is the subject of certain 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 legal matters will not have a material impact on the financial position, liquidity or results of operations of the Company.

7. 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 which constitute 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% Cumulative Convertible Preferred Stock

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

In connection with the 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 A Preferred Stock. The Company also incurred approximately $91,000 of additional expenses in connection with the offering. As additional consideration for the sale of the preferred stock, the Company agreed to sell to the Placement Agent 500,000 shares of the Company's common stock at a price of $0.01 per share. The Company also agreed to enter into a two-year consulting agreement with the Placement Agent through which the Placement Agent will receive $3,000 per month for investment banking and advisory services provided to the Company. Pursuant to the terms of the offering, the Placement Agent designated two members of the Company's Board of Directors for two-year terms.

As part of the Series A Preferred Stock offering, the Company issued warrants to purchase 125,000 shares of common stock to six individuals who purchased shares in the offering. The warrants expire five years after issuance and are exercisable at $1.25 per share. The Company allocated $179,500 of the proceeds received to the warrants based upon values determined by the Black-Scholes pricing model. All costs incurred and equity instruments issued in connection with the offering have been netted against the gross proceeds of the offering in additional paid-in capital.

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 2000, certain stockholders converted 125,000 Series A preferred shares into common shares.

Series B 8% 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 (the "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. As discussed in Note 3, 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 $2,545,000, the Company raised an additional $1,993,000 through the issuance of units through December 31, 2000 and subsequent to December 31, 2000 through the end of March 2001 had raised an additional $1,100,000.

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 10 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 $4,208,762 between the Series B Preferred Stock and the warrants based on estimated relative fair values. The Series B Preferred Stock was recorded at $2,432,476 and the warrants were recorded at $1,776,286. 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. On most of the dates the Series B preferred shares were issued, the quoted market price of the Company's common stock exceeded the $2.00 conversion price. Accordingly, the Company measured the intrinsic value of the beneficial conversion feature as the difference between the quoted prices of the common stock into which the Series B preferred shares are convertible and the recorded value of the Series B preferred shares of $2,432,476. The total intrinsic value of the beneficial conversion feature of $2,098,134 has been reflected in the accompanying consolidated financial statements as a preferred stock dividend and as an increase to additional paid in capital.

The Series B Preferred Stock can be redeemed at the Company's election at any time commencing January 1, 2004, at a redemption price of $10.00 per share plus all accrued dividends as of the redemption date.

Cumulative dividends accrue on both Series A and B Preferred Stock at the rate of eight percent 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 year ended December 31, 2000, the Company declared dividends aggregating $383,458, and to satisfy payment obligations issued a total of 176,455 shares of common stock. As of December 31, 2000, the Company had accrued dividends payable in the amount of

$223,896. In February 2001, the Company settled the dividend payable by issuing 210,669 shares of common stock.

The Series A and B Preferred Stock have 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.

Issuance of common stock

In August 2000, the Company sold 150,000 shares of common stock to an individual for $300,000. The individual also received warrants to purchase 200,000 additional shares of common stock at $2.00 per share. Proceeds from the sale were allocated between common stock and the warrants based on the relative fair values. The estimated fair value of the warrants was determined using the Black-Scholes option pricing model. The common stock was recorded at $187,199 and the warrants were recorded at $112,801.

During 1999, the Company sold 47,000 shares of common stock in a private placement at prices ranging from $2.00 to $4.00 per share.

Warrants to purchase common shares

As mentioned above, the Company issued warrants in connection with its Series B preferred stock offering. In addition, the Company issued warrants when it issued and converted certain notes payable more fully described in Note 3. During 2000, the Company issued warrants in connection with the sale of 150,000 shares of common stock as described in the preceding paragraph. The Company also issued 223,082 warrants at prices ranging from $2.00 to $5.13 per share to various outside consultants and sales agents in exchange for services which were valued at $473,703. All of the warrants were exercisable at December 31, 2000. The following tables summarize the warrant activity for 2000 and 1999:

	Warrants	**Price Range**	**Weighted Average Exercise Price**
Balance at December 31, 1998...........	-	-	-
Issued............................	125,000	$1.25	$1.25
Balance at December 31, 1999..........	125,000	$1.25	$1.25
Issued............................	4,476,382	$2.00 - $5.13	$2.47
Balance at December 31, 2000..........	4,601,382	$1.25 - $5.13	$2.44

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, grant 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, 2000, 572,451 options had been granted under this particular plan.

Stock options

The Company's Board of Directors has from time to time authorized the grant of stock options to directors, officers, key employees, and consultants as compensation and in connection with obtaining financing. The following tables summarize the option activity for 2000 and 1999:

	Options	Price Range	Weighted Average Exercise Price
Balance at December 31, 1998	1,339,645	\$0.06 - \$9.00	\$2.82
Granted	772,927	\$2.00 - \$5.39	\$2.57
Exercised	(19,468)	\$0.06	\$0.06
Canceled or expired	(598,266)	\$2.00 - \$5.39	\$3.44
Balance at December 31, 1999	1,494,838	\$2.00 - \$9.00	\$2.40
Granted	2,026,633	\$2.00 - \$5.13	\$2.85
Canceled or expired	(468,452)	\$2.00 - \$9.00	\$2.67
Balance at December 31, 2000	3,053,019	\$2.00 - \$9.00	\$2.66

A summary of the options outstanding and options exercisable at December 31, 2000 is as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable at December 31, 2000	Weighted Average Exercise Price
\$2.00 – \$3.99	2,728,879	5.8 years	\$2.39	1,944,095	\$2.23
\$4.00 – \$5.99	321,640	4.5 years	\$4.88	301,640	\$4.87
\$6.00 – \$9.00	2,500	1.0 years	\$9.00	2,500	\$9.00
	3,053,019	5.7 years	\$2.66	2,248,235	\$2.59

Stock-based compensation

The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its grants of options to purchase common shares to employees. SFAS No. 123, "Accounting for Stock-Based Compensation," requires pro forma information regarding net income (loss) as if the Company had accounted for its stock options granted under the fair value method of the statement. The fair value of the stock options was estimated at the grant date by the Company based on the Black-Scholes option pricing model. The following assumptions were used in the Black-Scholes model: a weighted-average risk-free interest rate of 6.2 and 5.5 percent, a dividend yield of 0 and 0 percent, a weighted average volatility of 104.3 and 71.0 percent, and weighted-average expected lives of 5.8 and 8.1 years for the years ended December 31, 2000 and 1999, respectively. The weighted average fair value of options granted during the years ended December 31, 2000 and 1999 was \$2.66 and \$2.13, respectively. The net losses applicable to common stockholders under SFAS No. 123 for the years ended December 31, 2000 and 1999 would have been increased to the pro forma amounts indicated below:

	2000	1999
Net loss applicable to common stockholders:		
As reported	\$ (11,608,114)	\$ (1,924,885)
Pro forma	(13,526,510)	(2,203,921)
Basic and diluted net loss per common share:		
As reported	\$(3.12)	\$(0.60)
Pro forma	(3.63)	(0.68)

Due to the nature and timing of option grants, the resulting pro forma compensation cost may not be indicative of future years.

8. Related party transactions

In October 2000, the Board approved a consulting agreement with Theodore Stern, Chairman of the Board of Directors. Mr. Stern was to earn a monthly fee of $6,000 plus expense reimbursement in connections with duties performed as the Company's Chief Executive Officer. The Board also approved a five-month consulting agreement for Gary Smith, also a member of the Board. In exchange for fund-raising and other services, Mr. Smith was to receive a monthly fee of $5,000. For the year ended December 31, 2000, Mssrs. Stern and Smith earned, $22,400 and $12,500 in fees, respectively. None of the fees have yet been paid, pending successful fund-raising efforts. As a result, these amounts were owed to these Directors as of December 31, 2000.

During the first part of 2000, Steve Barnett was engaged as an outside consultant before becoming a director. The Company incurred $24,500 in fees billed by Mr. Barnett, of which $8,300 remained unpaid at December 31, 2000.

During 2000, directors Theodore Stern, Dal Bagley, and Harold C. McCray loaned the Company a total of $595,000, $275,000, and $150,000 as bridge financing, respectively. The Company issued 14% and 18% promissory notes, with maturity dates ranging from July 31, 2000 to June 30, 2001. On September 1, 2000 the Company repaid the loan to Mr. McCray and the rest of the notes were converted into Series B Convertible Preferred Stock and related warrants (see Notes 3 and 7). The directors also received warrants as part of their promissory notes and preferred stock conversions. The five- and two-year warrants have an exercise price of $2.50 per share. The total number of warrants issued to the three directors was 680,000, 275,000, and 75,000, respectively.

Mr. Stern also loaned the Company $100,000 in December 2000. The Company issued a promissory note, payable on demand. The note is secured by the Company's accounts receivable and accrues interest at 12 percent. If the note hadn't been paid by February 1, 2001, 10,000 shares of common stock were to be issued. The note wasn't repaid at that time and the Company has since complied with the additional terms.

9. Subsequent Financing

Subsequent to December 31, 2000, the Company received approximately $1,100,000 of proceeds from the issuance of 110,000 shares of Series B Preferred Stock and 550,000 warrants to purchase common stock (see Note 7). The Company also received $390,000 from the issuance of various notes payable to a director of the Company. The notes bear interest at 12 percent, are due and payable on demand, and are secured by accounts receivable. In connection with the issuance of these notes, the Company issued 41,000 shares of common stock.

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

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

For the transition period from to

Commission File No. 0-26917

BUYERSONLINE.COM, INC.

(Exact name of small business issuer as specified in its charter)

Delaware	**87-0528557**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

14870 Pony Express Road, Bluffdale, Utah 84065
(Address of principal executive offices)

(801) 532-8929
(Issuer's telephone number)

(Former name, address and fiscal year, if changed since last report)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:
State the number of shares outstanding of each of the issuer's classes of common equity: 4,905,296 of common stock as of November 13, 2001.

Transitional Small Business Format: Yes [ ] No [X]

FORM 10-QSB
BUYERSONLINE.COM, INC.

INDEX

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

		(Unaudited) September 30, 2001		December 31, 2000
ASSETS				
Current assets:				
Cash	$	100,180	$	56,825
Restricted cash		471,775		227,770
Accounts receivable, net		2,538,842		1,547,282
Other current assets		240,326		212,155
Total current assets		3,351,123		2,044,032
Property and equipment, net		759,002		2,150,665
Other assets, net		189,885		208,210
Total assets	$	4,300,010	$	4,402,907
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Line of credit	$	463,865	$	-
Notes payable		4,083,993		1,187,865
Current portion of capital lease obligations		170,745		313,498
Accounts payable		4,079,890		3,449,246
Accrued liabilities		529,669		558,735
Accrued dividends payable on preferred stock		189,158		223,896
Accrued commissions and rebates		328,859		177,222
Total current liabilities		9,846,179		5,910,462
Capital lease obligations, net of current portion		-		314,756
Total liabilities		9,846,179		6,225,218
Stockholders' deficit:				
Preferred stock		244		233
Common stock		494		399
Additional paid-in capital		14,946,909		13,005,703
Warrants and options outstanding		4,387,678		4,073,144
Deferred consulting fees		(190,985)		(98,145)
Accumulated deficit		(24,690,509)		(18,803,645)
Total stockholders' deficit		(5,546,169)		(1,822,311)
Total liabilities and stockholders' deficit	$	4,300,010	$	4,402,907

See accompanying notes

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited) Three Months Ended September 30, 2001	(Unaudited) Three Months Ended September 30, 2000 (As restated)
Revenues:		
Telecommunications services	$ 3,913,095	$ 1,889,049
Other	23,109	-
Total revenues	3,936,204	1,889,049
Operating expenses:		
Costs of revenues	2,617,018	1,161,136
General and administrative	1,247,876	1,488,809
Selling and promotion	828,254	1,528,400
Termination of lease and write-off of web-site development costs	922,076	-
Total operating expenses	5,615,224	4,178,345
Loss from operations	(1,679,020)	(2,289,296)
Other income (expense):		
Interest income	4,361	3,424
Interest expense	(334,341)	(886,348)
Total other expense, net	(329,980)	(882,924)
Net loss	$ (2,009,000)	$ (3,172,220)
Preferred stock dividends:		
8% dividends on Series A and B preferred stock	189,157	77,324
Net loss applicable to common stockholders	$ (2,198,157)	$ (3,249,544)
Net loss per common share:		
Basic and diluted	$ (0.47)	$ (0.87)
Weighted average common shares outstanding:		
Basis and diluted	4,711,019	3,748,344

See accompanying notes

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited) Nine Months Ended September 30,	
	2001	2000 (As restated)
Revenues:		
Telecommunications services	$ 10,307,124	$ 4,974,253
Other	62,180	-
Total revenues	10,369,304	4,974,253
Operating expenses:		
Costs of revenues	7,124,478	2,989,671
General and administrative	4,564,959	3,436,631
Selling and promotion	2,381,991	3,033,777
Termination of lease and write-off of web-site development costs	922,076	-
Total operating expenses	14,993,504	9,460,079
Loss from operations	(4,624,200)	(4,485,826)
Other income (expense):		
Interest income	13,485	16,326
Interest expense	(705,852)	(1,250,819)
Total other expense, net	(692,367)	(1,234,493)
Net loss	$ (5,316,567)	$ (5,720,319)
Preferred stock dividends:		
8% dividends on Series A and B preferred stock	549,799	236,886
Beneficial conversion feature related to Series B preferred stock	20,498	-
Total preferred stock dividends	570,297	236,886
Net loss applicable to common stockholders	$ (5,886,864)	$ (5,957,205)
Net loss per common share:		
Basic and diluted	$ (1.33)	$ (1.64)
Weighted average common shares outstanding:		
Basis and diluted	4,427,380	3,635,938

See accompanying notes

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited) Nine Months Ended September 30, 2001	2000 (As restated)
Cash flows from operating activities:		
Net loss	$ (5,316,567)	$ (5,720,319)
Adjustments to reconcile net loss to net cash used in operating activites:		
Depreciation and amortization	653,096	188,925
Non-cash expenses related to the issuance of stock, options, and warrants with debt and for services	417,349	770,729
Interest expense associated with beneficial conversion feature in connection with debt extension	-	481,367
Termination of lease and write-off of web-site development costs	922,076	-
Changes in operating assets and liabilities:		
Restricted cash	(419,271)	118,510
Accounts receivable	(991,560)	(339,630)
Other current assets	84,169	(110,684)
Accounts payable	708,631	1,802,553
Accrued commissions and rebates	151,637	43,446
Accrued liabilities	(29,066)	382,003
Net cash used in operating activities	(3,819,506)	(2,383,100)
Cash flows from investing activities:		
Decrease (increase) in other assets	18,325	(44,210)
Purchases of property and equipment	(282,341)	(769,913)
Net cash used in investing activities	(264,016)	(814,123)
Cash flows from financing activities:		
Net borrowings under line of credit	463,865	-
Borrowings under notes payable, net of debt issuance costs	2,815,000	2,539,000
Principal payments on notes payable	(83,246)	(150,000)
Principal payments on capital lease obligations	(165,965)	(127,417)
Issuance of preferred/common shares for cash, net of offering costs	1,097,223	300,000
Net cash provided by financing activities	4,126,877	2,561,583
Net increase (decrease) in cash	43,355	(635,640)
Cash at the beginning of the period	56,825	1,088,707
Cash at the end of the period	$ 100,180	$ 453,067

See accompanying notes

BUYERSONLINE.COM, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

	(Unaudited) Nine Months Ended September 30,	
	2001	2000 (As restated)
Supplemental cash flow information:		
Cash paid for interest	$ 203,685	$ 180,498
Supplemental schedule of non-cash investing and financing activities:		
Issuance of common shares in payment of preferred stock dividend	$ 584,537	$ 319,689
Issuance of common shares in payment of deferred services	125,000	50,000
Issuance of common shares in payment of deferred financing costs	205,000	-
Issuance of options in connection with deferred consulting agreements	-	403,495
Issuance of options in payment of deferred sales commissions	-	25,574
Issuance of warrants with promissory notes	-	1,391,683
Beneficial conversion dividend on Series B preferred shares	20,498	481,367
Accrual of dividend payable on preferred stock	549,799	236,886
Equipment acquired under capital lease arrangements	-	150,121

See accompanying notes

BUYERSONLINE.COM, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2001
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of BuyersOnline.com, Inc. ("the Company" or "BuyersOnline") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however, that all material adjustments (consisting of normal recurring accruals) have been made which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

The unaudited interim results of operations and cash flows for the periods ended September 30, 2000 have been restated as a result of adjustments recorded at the December 31, 2000 year-end.

For further information, refer to the consolidated financial statements and footnotes included in the Company's annual report on Form 10-KSB for the year ended December 31, 2000.

2. Line of credit

On June 7, 2001 the Company entered into a one-year account receivable financing agreement with RFC Capital Corporation ("RFC"). The facility allows the Company to borrow up to $2.5 million based on the Company's eligible accounts receivable. The facility bears interest at a rate of prime plus 6%, and also required the payment of a Purchase Commitment Fee of $50,000. The facility allows the Company to borrow against unbilled receivables as well as regular monthly billings. At September 30, 2001, the Company had borrowed the maximum amount available based on eligible accounts receivable at that time, which amounted to $463,865.

3. Legal matters

On June 14, 2001, a lawsuit was filed against the Company by Profitec, Inc. ("Profitec") in New Haven, Connecticut. Profitec asserted that it agreed to perform certain billing services in 1999 for the Company's telecommunication members and that the Company agreed to pay Profitec for such services. Profitec further claimed that the Company breached the contract by terminating the contract and failing to pay fees allocable under a "liquidated damage" provision for early termination. Profitec has claimed damages in excess of $140,000, based upon the contract's liquidated damage provisions. BuyersOnline has retained counsel in New Haven to defend this action. The Company's defenses to this matter include the following: That Profitec failed to provide the contractual services in a timely or competent manner; that BuyersOnline notified Profitec on many occasions that it was not performing as per the terms of the contract; that Profitec failed to cure the billing inadequacies and continued to deliver a billing product that caused BuyersOnline to lose members and spend excessive monies to correct; that Profitec breached the contract and that BuyersOnline followed its remedial course set forth in the contract by canceling the contract and obtaining billing services elsewhere; and that the liquidated damage provision upon which plaintiff bases its lawsuit is unenforceable.

The Company has filed a general denial answer and has asserted affirmative defenses, including breach of contract, failure of consideration, and other issues. The Company has also filed a counter claim and has pled for damages based upon the plaintiff's failure under the above-described contract. The Company believes that

Profitec's claims are without merit and intends to defend the action and pursue its claims against Profitec as it deems appropriate.

4. Preferred stock offering

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 $1,097,223 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. The Series B Preferred Stock Offering closed on April 13, 2001.

5. Termination of equipment lease and write-off of web-site development costs

During the quarter ended September 30, 2001, the Company reviewed its investment in leased computer equipment and software, related ongoing maintenance expenses, and costs primarily incurred in 2000 in connection with the creation of various web sites designed to work with Oracle-based applications. The Company determined that it could achieve its growth objectives and serve existing and potential customers using a more economical equipment and software solution. Accordingly, the Company negotiated with the equipment lessor to return the equipment and cancel the lease.

The Company also replaced its web site software with newly-developed programs designed to operate on a SQL-based operating system, and determined the costs previously capitalized and associated with the returned equipment and software no longer had a realizable value. The total cost of removing the unamortized book value of the lease obligation, equipment, software, and capitalized web site development costs totaled $922,076.

6. Subsequent events

Beginning in October 2001 through November 13, 2001, the Company entered into loan agreements with several individuals aggregating $725,000. Under the terms of the agreements, funds were loaned to the Company to be used either in conjunction with acquiring new customers from an unaffiliated buyers club or for working capital. The loans have a stated interest rate of 12%, and are to be repaid using a portion of collected revenues from specifically-designated new or existing customers. After all principal and interest is repaid, the note holder will retain a 10% commission for as long as the specific customers remain active BuyersOnline members. In addition, each note holder received a warrant to purchase shares of common stock at an exercise price of $2.50 per share. The amount of warrants issued equaled 25% of the note proceeds, and the warrants will expire after one year. The Company is pursuing additional loan opportunities with additional individuals under similar terms. However, there can be no assurance that the Company will successfully complete its efforts to raise additional amounts sufficient for the Company to achieve profitable results in the long term.

On October 31, 2001, the stockholders approved an amendment to the Company's Certificate of Incorporation changing the name of the Company to "Buyers United, Inc." The name change will be effective on November 20, 2001. On that date the trading symbol for common stock on the OTC Bulletin Board will be "BYRS."

Item 2. MANAGEMENTS'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

BuyersOnline.com, Inc. ("the Company" or "BuyersOnline") is a consumer buying organization that buys monthly "Essential Services" in bulk from world-class providers and offers those services at discounted prices to its national membership. It also offers rebate programs and specialized customer service designed to help members lower, or in some cases eliminate some of their monthly bills.

The Company believes there is a business opportunity in the Essential Services marketplace: No one organization meets the specific needs and concerns of consumers and/or small businesses in both the Telecommunications and other Essential Services industries. To pursue this perceived opportunity, the Company created a buying club that not only allows members to save money on Essential Services, but also provides an infrastructure to meet specific customer demands through specialized service solutions. The Company presently offers a complete line of voice and data telecommunication services for residential consumers and commercial businesses. In the future, the Company intends to expand its service offerings into other areas such as travel, home security, satellite TV, wireless communications, and other customized small business services.

Once consumers or businesses become members, they become eligible to participate in the Company's "Shopping Rebate Program," which allows them to obtain substantial discounts on the purchase of products offered by the Company's network of retailers. The Company currently has contracts with over 200 retailers in 16 different product categories to provide their products to BuyersOnline members at discounted prices. The member orders the products from the retailer and pays the retailer directly. A rebate ranging from 1% to 30% of the purchase price is then credited to the Company, which in turn is passed on to the member who made the purchase. The amount of the rebate is credited to the member's account to be offset against monthly charges for Essential Services. Any rebates in excess of billed charges for Essential Services are paid to the member in cash. In this way a member can lower or potentially eliminate some of their monthly bills.

The Company currently has 28,400 members. Its target market includes networking professionals, small businesses, and middle-class families with annual household incomes of between $30,000 and $100,000, as these are the most likely to respond actively to the particular savings opportunities offered by BuyersOnline. Members reside mostly in high population centers and tend to spend more than average on long distance services. Approximately one-third of the present membership consists of small businesses and entrepreneurs who operate home-based businesses.

Results of Operations

Total revenues from telecommunications and other services increased 108% to $3.94 million for the three months ended September 30, 2001 as compared to $1.89 million for the same period in 2000. Year-to-date revenues also increased 108% to $10.37 million, as compared to $4.97 million during the previous year. The increases are due to higher membership in general resulting from the Company's ongoing promotional efforts, particularly those involving independent agents.

Costs of revenues for the three-month period ended September 30, 2001 were $2.62 million, a 125% increase as compared to $1.16 million incurred during the comparable three-month period for the prior year. Such costs as a percentage of revenue were 66% during 2001 as compared to 61% during 2000. Costs of revenues for the nine-month period were $7.12 million, a 138% increase as compared to $2.99

million. As a percentage of revenue, year-to-date costs of revenues were 69% during 2001 as compared to 60% during 2000. The lower gross margins resulted from the Company pricing some of its services more aggressively during 2001. In addition, much of the sales increase during the three and nine months ended September 30, 2001 was derived from programs involving more high-volume commercial customers which, while typically earning lower gross margins, also result in lower proportional sales costs in the long run. As part of the Company's cost and vendor negotiation programs culminated during the third quarter of 2001, the Company expects gross margins to increase during the fourth quarter of the 2001 year and on into 2002.

Total operating expenses other than costs of revenues and amounts relating to the equipment lease termination were 31% lower during the quarter ended September 30, 2001, and year-to-date expenses decreased by 7%, as compared to the same periods of 2000.

- General and administrative costs in 2001's third quarter decreased 16% to $1.25 million compared to $1.49 million in 2000. For the nine months ended September 30, 2001, general and administrative costs increased 33% to $4.56 million as compared to $3.44 million during 2000's comparable period. The third quarter decrease resulted mainly from lower compensation costs incurred after the Company reduced employee levels in June 2001. In addition, third quarter expenses were higher in 2000 due to severance costs incurred with the departure of the Company's former Chief Executive Officer. General and administrative expenses year-to-date were higher than the previous year due primarily to higher occupancy costs incurred as a result of moving into a single, larger facility during December 2000.

- Selling and promotion expenses decreased 46% to $828,254 during 2001's third quarter from $1.53 million in 2000. Year-to-date, selling and promotional expenses decreased 21% to $2.38 million during 2001 from $3.03 million during 2000. Decreases resulted primarily from the fact that during the comparable periods in 2000, the Company was actively developing and directing financial resources to its infomercial marketing tool. The decrease in spending levels from 2000 was partly offset by higher commissions paid during 2001 to independent agents in proportion to respective revenue amounts.

During the third quarter of 2001, the Company reviewed its investment in leased computer equipment and software, related ongoing maintenance expenses, and costs primarily incurred in 2000 in connection with the creation of various web sites designed to work with Oracle-based applications. The Company determined that it could achieve its growth objectives and serve existing and potential customers using a much more economical equipment and software solution. Accordingly, the Company negotiated with the equipment lessor to return the equipment and cancel the lease. The Company also replaced its web site software with newly-developed programs designed to operate on a SQL-based operating system, and determined the costs previously capitalized and associated with the returned equipment and software no longer had a realizable value. The total cost of removing the unamortized book value of the lease obligation, equipment, software, and capitalized web site development costs totaled $922,076 which was included in total operating expenses for the three and nine-month periods ended September 30, 2001.

Interest income was $4,361 and $13,485 for the quarter and year-to-date period ended September 30, 2001, respectively. This compares to $3,424 and $16,326 earned in comparable periods of 2000. The differences resulted from different levels of funds on hand during 2001 and 2000, attributable to the Series A and B preferred stock offerings completed during 1999's third quarter and 2000's fourth quarter. Interest expense for the three months ended September 30, 2001 included $63,304 of amortization of note financing costs, along with $101,275 that resulted from issuing shares of common stock in connection with notes payable during the quarter. Year-to-date interest expense included $147,714 and $205,273, respectively, of such items. Interest expense for the three and nine months ended September 30, 2000, respectively, includes $862,235 and $1,150,500 of items relating to amortization of note financing costs. Excluding these various amounts for all periods, interest expense for 2001 would have been $169,762 and $352,865, for the third quarter and year-to-date periods ended September 30, 2001, respectively, and $24,113 and $100,319 for the comparable period of 2000. The differences resulted from higher amounts of capitalized lease obligations outstanding during 2001 as compared to 2000. In addition, the Company incurred higher interest expense during 2001 on its accounts receivable financing arrangement, and also incurred interest expense on short-term notes issued by one of the directors.

As a result of the above factors, the overall net loss before Preferred Stock Dividends decreased 37% to $2.01 million for the three months ended September 30, 2001, and decreased 7% to $5.32 million year-to-date, as compared to $3.17 million and $5.72 million for the comparable periods of 2000.

Liquidity and Capital Resources

The Company has incurred recurring losses from operations. During the quarters ended September 30, 2001 and 2000, the net loss applicable to common stockholders was $2.20 million and $3.25 million, respectively. For the year-to-date comparable periods, the net loss applicable to common stockholders was $5.32 million and $5.72 million in 2001 and 2000, respectively. As of September 30, 2001, the Company had a working capital deficit of $6.50 million and an accumulated deficit of $24.69 million. During the nine-month periods ended September 30, 2001 and 2000, operations used $3.82 million and $2.38 million of cash, respectively. These matters raise substantial doubt about the Company's ability to continue as a going concern. BuyersOnline does need additional capital to finance future operations until its business objectives are fully implemented and can generate sufficient revenue to sustain the business. However, during the nine months ended September 30, 2001, the Company successfully raised $4.38 million through a combination of debt and equity offerings, and since the quarter-end has raised an additional $775,000 in debt financing primarily related to certain new customer acquisition opportunities (see below). In addition, the Company has been reducing expenses during 2001, particularly during the latter half of the year. During 2001's third quarter the Company's operations used $955,994 in cash, a 22% decrease compared to $1,227,533 in cash used during the same quarter of the previous year. Management is attempting to raise additional capital to fund operations and provide working capital. BuyersOnline is also trying to expand its customer acquisition programs either through infomercial marketing or agreements with similar, cost saving-oriented buyers clubs. Through the end of 2002, the Company estimates it will need approximately $1 million to fulfill its business plan, which includes expanding its customer acquisition programs. Of course, there can be no guarantee that this additional financing will be available, or available with acceptable terms or in required amounts to allow the Company to achieve profitable operations.

The Company's current ratio at September 30, 2001 remained virtually unchanged (0.34:1, as compared to 0.35:1) as at the end of 2000. Major components of working capital that changed during the first nine months of 2001 resulted from increases in accounts receivable due to higher quarterly sales levels, and increases in restricted cash amounts in connection with the Company's new accounts receivable financing facility. Offsetting these increases in working capital were decreases stemming primarily from note payable increases received from a member of the Board of Directors, along with note increases incurred by entering into an accounts receivable financing agreement with RFC Capital Corporation. The facility allows the Company to borrow up to $2.5 million based on the Company's eligible accounts receivable. The facility bears interest at a rate of prime plus 6%, and expires on June 7, 2002. The facility allows the Company to borrow against unbilled receivables as well as regular monthly billings. At September 30, 2001, the Company had borrowed the maximum amount available based on eligible accounts receivable at that time, which amounted to $463,865.

As of July 1, 2001, the Company reached an agreement to extend the maturity date of the outstanding $1,050,000 note payable to September 1, 2002. Under the terms of the agreement, the Company will issue to the note holder 50,000 shares of common stock at maturity, unless the Company prepays the amount before maturity. In that event, the number of shares issuable would increase to 100,000. In addition, the note holder has been granted an option to convert the note or a portion thereof into shares of common stock at a rate of $2.50 per share.

Beginning in October 2001 through November 13, 2001, the Company entered into loan agreements with several individuals aggregating $725,000. Under the terms of the agreements, funds were loaned to the Company to be used either in conjunction with acquiring new customers from an unaffiliated buyers club or for working capital. The loans have a stated interest rate of 12%, and are to be repaid using a portion of collected revenues from specifically-designated new or existing customers. After all principal and interest is repaid, the note holder will retain a 10% commission for as long as the specific customers remain active BuyersOnline members. In addition, each note holder received a warrant to purchase shares of common stock at an exercise price of $2.50 per share. The amount of warrants issued equaled 25% of the note proceeds, and the warrants will expire after one year. The Company is pursuing additional loan opportunities with additional individuals under similar terms. However, there can be no assurance that the Company will successfully complete its efforts to raise additional amounts sufficient for the Company to achieve profitable results in the long term.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1985 provides a safe harbor for forward-looking statements made by BuyersOnline, except where such statements are made in connection with an initial public offering. All statements, other than statements of historical fact, which address activities, actions, goals, prospects, or new developments that BuyersOnline expects or anticipates will or may occur in the future, including such things as expansion and growth of its operations and other such matters are forward-looking statements. Any one or a combination of factors could materially affect BuyersOnline's operations and financial condition. These factors include competitive pressures, success or failure of marketing programs, changes in pricing and availability of services and products offered to members, legal and regulatory initiatives affecting member marketing and rebate programs or long distance service, and conditions in the capital markets. Forward-looking statements made by BuyersOnline are based on knowledge of its business and the environment in which it operates as of the date of this report. Because of the factors listed above, as well as other factors beyond its control, actual results may differ from those in the forward-looking statements.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On June 14, 2001, a lawsuit was filed against the Company by Profitec, Inc. ("Profitec") in New Haven Superior Court, New Haven, Connecticut, Action number 417196. Profitec asserted that it agreed to perform certain billing services in 1999 for the Company's telecommunication members and that the Company agreed to pay Profitec for such services. Profitec further claimed that the Company breached the contract by terminating the contract and failing to pay fees allocable under a "liquidated damage" provision for early termination. Profitec has claimed damages in excess of $140,000, based on the contract's liquidated damage provisions. The Company has retained counsel in New Haven to defend this action. The Company's defenses to this matter include the following: That Profitec failed to provide the contractual services in a timely or competent manner; that BuyersOnline notified Profitec on many occasions that it was not performing pursuant to the terms of the contract; that Profitec failed to cure the billing inadequacies and continued to deliver a billing product that caused BuyersOnline to lose members and spend excessive monies to correct; that Profitec breached the contract and that BuyersOnline followed its remedial course set forth in the contract by canceling the contract and obtaining billing services elsewhere; and that the liquidated damage provision upon which plaintiff bases its lawsuit is unenforceable. The Company has filed a general denial answer and has asserted affirmative defenses, including breach of contract, failure of consideration, and other issues. The Company has also filed a counter claim and has pled for damages based upon the plaintiff's failure under the above-described contract. The Company believes that Profitec's claims are without merit and intends to defend the action and pursue its claims against Profitec as it deems appropriate.

Item 2. CHANGES IN SECURITES AND USE OF PROCEEDS

During the first half of 2001, preferred stock dividends amounted to $360,642, consisting of $148,767 on outstanding shares of Series A 8% cumulative convertible preferred stock, and $211,875 on outstanding shares of Series B 8% cumulative convertible preferred stock. These dividends were paid through the issuance of 294,215 shares of common stock to the holders of the preferred stock on August 21, 2001.

On July 6, 2001, the Company issued 10,000 shares to Theodore Stern, an officer and director of the Company in consideration of a note payable in the amount of $100,000. The shares were issued at $1.10 per share, which was the fair market value at the date of issuance for a total value of $11,000. All of the aforementioned shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

On July 18, 2001, the Company issued 15,000 shares to Theodore Stern in consideration of a note payable in the amount of $150,000. The shares were issued at $0.85 per share, which was the fair market value at the date of issuance for a total value of $12,750. All of the aforementioned shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

On August 7, 2001, the Company issued 10,500 shares to Theodore Stern in consideration of him granting a guaranty to RFC Capital Corporation on behalf of BuyersOnline in connection with the Company's account receivable financing arrangement. The shares were issued at $0.95 per share, which was the fair market value at the date of issuance for a total value of $9,975. All of the aforementioned shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

On August 30, 2001, the Company issued 27,500 shares to Theodore Stern in consideration of a note payable in the amount of $275,000. The shares were issued at $0.80 per share, which was the fair market value at the date of issuance for a total value of $22,000. All of the aforementioned shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

On September 5, 2001, the Company issued 10,000 shares to Theodore Stern in consideration of a note payable in the amount of $100,000. The shares were issued at $0.85 per share, which was the fair market value at the date of issuance for a total value of $8,500. All of the aforementioned shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

On September 17, 2001, the Company issued 25,000 shares to Theodore Stern in consideration of him granting a guaranty to a telecommunications vendor on behalf of the Company in connection with a new volume pricing arrangement. The shares were issued at $0.70 per share, which was the fair market value at the date of issuance for a total value of $17,500. All of the aforementioned shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

On September 19, 2001, the Company issued 10,000 shares to Theodore Stern in consideration of a note payable in the amount of $100,000. The shares were issued at $0.68 per share, which was the fair market value at the date of issuance for a total value of $6,800. All of the aforementioned shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

Item 5. OTHER INFORMATION

On October 31, 2001, the stockholders approved an amendment to the Company's Certificate of Incorporation, changing the name of the Company to "Buyers United, Inc." The name change will be effective on November 20, 2001. On that date the trading symbol for common stock on the OTC Bulletin Board will be "BYRS."

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

Reports on Form 8-K: No reports on Form 8-K were filed by the Company during the quarter ended September 30, 2001.

Exhibits: None.

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BUYERSONLINE.COM, INC.

Date: November 13, 2001	By: /s/ G. Douglas Smith, Vice President
Date: November 13, 2001	By: /s/ Paul Jarman, Treasurer