

UNITED STATE
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended June 30, 2005

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from to

Commission File Number 000-25991

DAG MEDIA, INC.

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

New York
(State or other jurisdiction of
incorporation or organization)

13-3474831
(I.R.S. Employer
Identification Number)

125-10 Queens Boulevard
Kew Gardens, NY
(Address of principal executive offices)

11415
(Zip Code)

(718) 520-1000 (Issuer's

telephone number, including area code)

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of July 29, 2005:

Class	Number of Shares
Common Stock, \$.001 par value	3,187,190
Transitional Small Business Disclosure Format	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

DAG MEDIA, INC.

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Item 1. CONSOLIDATED FINANCIAL STATEMENTS

DAG MEDIA, INC.
BALANCE SHEET
(unaudited)

June 30, 2005

Assets	
Current assets:	
Cash and cash equivalents	\$ 3,499,517
Marketable securities	3,378,328
Short term investment - insurance annuity contract - at fair value	1,067,545
Total cash and cash equivalents, marketable securities and short terms investments	7,945,390
Trade accounts receivable, net of allowance for doubtful accounts of \$ 350,000	1,093,548
Directories in progress	1,253,074
Deferred tax assets	100,336
Other current assets	336,818
Total current assets	10,729,166
Property and equipment, net	166,570
Trademarks and other intangibles, net	264,988
Other assets	118,864
Total assets	\$ 11,279,588
Liabilities and Shareholders' Equity	
Current liabilities:	
Accounts payable and accrued expenses	\$ 191,803
Accrued commissions and commissions payable	455,000
Advanced billing for unpublished directories	2,438,392
Income tax payable	523,587
Total current liabilities	3,608,782
Commitments and contingencies	--
Shareholders' equity:	
Preferred shares - \$.01 par value; 5,000,000 shares authorized; no shares issued	--
Common shares - \$.001 par value; 25,000,000 authorized; 3,187,190 issued and 3,118,460 outstanding	3,187
Additional paid-in capital	8,547,857
Treasury stock, at cost- 68,730 shares	(231,113)
Deferred compensation	(40,380)
Accumulated other comprehensive income	(126,595)
Accumulated deficit	(482,150)
Total shareholders' equity	7,670,806
Total liabilities and shareholders' equity	\$ 11,279,588

The accompanying notes are an integral part of these financial statements.

DAG MEDIA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Advertising revenues	\$ 713,487	\$ 604,593	2,393,561	\$ 3,040,612
Publishing costs	117,765	151,247	324,442	547,341
Gross Profit	595,722	453,346	2,069,119	2,493,271
Operating costs and expenses:				
Selling expenses	341,300	216,043	1,166,839	1,317,596
Administrative and general costs	523,772	686,180	1,330,200	1,270,688
Total operating costs and expenses	865,072	902,223	2,497,039	2,588,284
Loss from operations	(269,350)	(448,877)	(427,920)	(95,013)
Other income	252,936	125,115	225,501	243,784
(Loss) income from continuing operations before benefit for income taxes	(16,414)	(323,762)	(202,419)	148,771
Benefit for income taxes	--	137,680	--	--
(Loss) income from continuing operations	(16,414)	(186,082)	(202,419)	148,771
Discontinued Operations:				
Loss from operation of Blackbook, net of tax provision of \$1,806 and \$3,487 in 2004	--	(77,578)	--	(199,832)
Net loss	\$ (16,414)	\$ (263,660)	\$ (202,419)	\$ (51,061)
Basic and diluted net (loss) income per common share outstanding:				
Continuing operations	\$ (0.01)	\$ (0.06)	\$ (0.06)	\$ 0.05
Discontinued operations	--	(0.03)	--	\$ (0.07)
Total net loss per common share - Basic and diluted	\$ (0.01)	\$ (0.09)	\$ (0.06)	\$ (0.02)
Weighted average number of common shares outstanding --Basic and diluted	3,112,731	3,083,460	3,118,460	3,043,212

The accompanying notes are an integral part of these financial statements.

DAG MEDIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months 2005	Ended June 30, 2004
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (202,419)	\$ (51,061)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	44,621	54,063
Amortization of deferred compensation and non cash compensation	19,220	46,399
Bad debt expense	144,468	400,559
Tax benefit for stock options	15,940	137,680
Realized gain on sale of marketable securities	(101,073)	(157,331)
Deferred taxes	(100,336)	(181,486)
Changes in operating assets and liabilities:		
Accounts receivable	125,900	(230,411)
Directories in progress	235,620	(14,664)
Other current assets	(54,708)	123,578
Other assets	--	(4,411)
Accounts payable and accrued expenses	(7,369)	(171,528)
Accrued commissions and commissions payable	(95,000)	(33,000)
Advance billing for unpublished directories	(521,396)	(44,912)
Income taxes payable	(31,700)	--
Assets and Liabilities from discontinued operation	--	191,782
	-----	-----
Net cash (used in) provided by operating activities	(528,232)	65,257
	-----	-----
Cash flows from investing activities:		
Proceeds from sale of marketable securities	12,728,736	6,072,147
Purchase of fixed assets	(6,072)	(24,969)
Investment in marketable securities	(10,780,895)	(1,787,637)
	-----	-----
Net cash provided by investing activities	1,941,769	4,259,541
	-----	-----
Cash flows from financing activities:		
Dividend paid (\$0.48 per share)	(1,490,982)	(744,113)
Proceeds from forfeit of gain on sale of restricted stocks	--	10,279
Proceeds from exercise of stock options	29,220	156,142
	-----	-----
Net cash used in financing activities	(1,461,762)	(577,692)
	-----	-----
Net (decrease) increase in cash	\$ (48,225)	\$ 3,747,106
Cash and cash equivalents, beginning of period	3,547,742	1,201,819
	-----	-----
Cash and cash equivalents, end of period	\$ 3,499,517	\$ 4,948,925
	=====	=====

The accompanying notes are an integral part of these financial statements.

DAG MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005

1. THE COMPANY

The accompanying unaudited consolidated financial statements of DAG Media, Inc. ("DAG" or the "Company") included herein have been prepared by the Company in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2004 and the notes thereto included in the Company's 10-KSB. Results of consolidated operations for the interim period are not necessarily indicative of the operating results to be attained in the entire fiscal year. All material intercompany accounts and transactions have been eliminated.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

2. RECENT TECHNICAL ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123R, Share-Based Payment, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. A key provision of this statement is the requirement of a public entity to measure the cost of employee services received in exchange for an award of equity instruments (including stock options) based on the grant-date fair value of the award. The cost will be recognized over the period during which an employee is required to provide service in exchange for the award (i.e., the requisite service period or vesting period). The Company cannot estimate the future impact on the financials statements. See note 4 for the impact the use of the fair value accounting would have had on the periods presented. This standard becomes effective on January 1, 2006. The Company will adopt SFAS 123R beginning in the Company's first fiscal quarter of 2006.

Management does not believe that any other recently issued, but not yet effected, accounting standards if currently adopted would have a material effect on the Company's consolidated financials statements.

3. EARNINGS PER SHARE OF COMMON STOCK

The Company has applied SFAS No. 128, "Earnings Per Share" in its calculation and presentation of earnings per share - "basic" and "diluted". Basic earnings per share are computed by dividing income available to common shareholders (the numerator) by the weighted average number of common shares (the denominator) for the period. The computation of diluted earnings per share is similar to basic earnings per share, except that the denominator is increased

to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. Potential dilutive common shares have not been included in the calculation of diluted earnings per share since the effect would be anti-dilutive for all periods presented.

4. STOCK - BASED COMPENSATION

As permitted by the SFAS No. 123, "Accounting for Stock Based Compensation", the Company accounts for stock-based compensation arrangements with employees in accordance with provisions of Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees". Compensation expense for stock options issued to employees is based on the difference on the date of grant, between the fair value of the Company's stock and the exercise price of the option. No stock based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock at the date of grant. The Company accounts for equity instruments issued to non employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling, or in Conjunction With Selling Goods or Services". All transactions with non employees, in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock based compensation to employees:

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net loss, as reported	\$ (16,414)	\$ (263,660)	\$ (202,419)	\$ (51,061)
Less: Total stock based employee compensation expenses determined under fair value based method for all awards	(32,302)	(17,551)	(69,605)	(33,584)
Net loss, pro forma	\$ (48,716)	\$ (281,211)	\$ (272,024)	\$ (84,645)
Basic and diluted loss per share, as reported	\$ (0.01)	\$ (0.09)	\$ (0.06)	\$ (0.02)
Pro forma basic and diluted loss per share	\$ (0.02)	\$ (0.09)	\$ (0.09)	\$ (0.03)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of our result of operations should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in this Quarterly Report on form 10-QSB. The discussion and analysis contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in such forward-looking statements.

We publish and distribute print and online business directories for domestic niche markets. Our principal source of revenue comes from the sale of ads in these directories. As a sales incentive we also provide our advertisers with added values, such as referral services and consumer discount club. We also operate Internet portals, JewishYellow.com targeting worldwide Jewish communities and JewishMasterguide.com, targeting the ultra-orthodox and Hasidic communities.

Our principal directories are the Jewish Israeli Yellow Pages and the Jewish Master Guide, also known as the Kosher Yellow Pages. The Jewish Israeli Yellow Pages is a bilingual, English and Hebrew, yellow page directory distributed free through local commercial and retail establishments in the New York metropolitan area and Florida. The Jewish Master Guide is a yellow page directory designed to meet the special needs of the Hasidic and ultra-Orthodox Jewish communities in the New York metropolitan area and Florida.

On January 7, 2005, we announced our intention to sell our classified directories business, consisting of the Jewish Israeli Yellow Pages and the Jewish Master Guide. The sale would include applicable trademarks, tradenames and other intellectual property. At this time, no buyers have been identified nor have any deal terms been agreed upon. The Company decided to seek a buyer for its directories business because the complexity, scale and probable margins of this business makes the costs of compliance with new regulatory requirements for public companies, under the Sarbanes - Oxley Act of 2002 and other government requirements, prohibitive. While seeking to sell our classified directories business, we will seek to acquire a new potentially larger and more profitable business, more suitable for operation in a publicly traded company. This new line of business may or may not be similar to our current line of business. We believe that the potential sale of our directories business and potential acquisition of a new business more suitable for operation in a public company is the best way to enhance shareholder value and optimize asset growth. However, we can not assure you that our divestiture and acquisition strategy will be successful. In the meantime, we will continue to publish and expand our existing niche ethnic directories.

Advertising fees, whether collected in cash or evidenced by a receivable, generated in advance of publication dates, are recorded as "Advanced billing for unpublished directories" on our balance sheet. Many of our advertisers pay the ad fee over a period of time. In that case, the entire amount of the deferred payment is booked as a receivable. Revenues are recognized at the time the directory in which the ad appears is published. Thus, costs directly related to the publication of a directory in advance of publication are recorded as "Directories in progress" on our balance sheet and are recognized when the directory to which they relate is published. All other costs are expensed as incurred.

Since our contracts sell ads for two consecutive editions, we recognize 50% of its revenues and charge 50% of its related direct expenses upon publication of the first directory whereas the remaining 50% is recognized upon publication of the second edition. Therefore, advertising revenues are recognized under the point-of-publication method, which is generally followed by publishing companies. Under this method, revenues and expenses are recognized when the related directories are published. Similarly, costs directly related to the publication of a directory in advance of publication are recorded as "Directories in progress" on the accompanying balance sheet and are recognized when the directory to which they relate is published. All other costs are expensed as incurred.

The principal operating costs incurred in connection with publishing the directories are commissions payable to sales representatives and costs for paper and printing. Generally, advertising commissions are paid as advertising revenue is collected. We do not have any long term agreements with paper suppliers or printers. Since ads are sold before we purchase paper and print a particular directory, a substantial increase in the cost of paper or printing costs would reduce our profitability. Administrative and general expenses include expenditures for marketing, insurance, rent, sales and local franchise taxes, licensing fees, office overhead and wages and fees paid to employees and contract workers (other than sales representatives).

Results of Operations

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

Advertising revenues

Advertising revenues for three months ended June 30, 2005 were \$713,000 compared to \$605,000 for the three months ended June 30, 2004, an increase of \$108,000, or 17.9%. The increase in revenues was attributable primarily to the increase in revenues of the Jewish Master Guide directory, of \$139,000. Revenues from the eleventh and twelfth editions of the Jewish Master Guide directory, recognized in the three month period ended June 30, 2005, increased due to a significant increase in number of sales representatives reassigned to its sales, especially after the sale of the New Yellow Manhattan directory, compared with the same period last year.

The following table reflects the revenue attributed to each of our directories.

	Three months period ended	
	June 30, 2005	June 30, 2004
Jewish Master Guide	\$713,000	\$574,000
Graphic Income	--	31,000
Total Revenues	\$713,000	\$605,000

For each of the three months ended June 30, 2005 and 2004, there were no revenues attributable to the Jewish Israeli Yellow Pages directory. In the first and third quarters, upon the publication and distribution of the Jewish Israeli Yellow Pages directory, its related revenues will be attributed accordingly. We sell advertisements to our directories until two weeks prior to the publication date. Therefore, it is not practical to predict specific edition sales.

Publishing costs

Publishing costs for the three months ended June 30, 2005 were \$118,000 compared to \$151,000 for the corresponding period in 2004, a decrease of \$33,000, or 21.9%. As a percentage of advertising revenues, publishing costs were 16.5% in the three month period ending June 30, 2005 compared to 25.0% in the corresponding period in 2004. The decrease in publishing costs was due to savings in distribution costs resulting from the new and domestic printer that the Company now uses and downsizing the graphics department according to the Company's new needs. The decreased publishing costs were slightly offset by the increase in printing cost for both of the Company's directories after a change in their size and formats. The difference in publishing costs can vary as it corresponds to the particular requirements of the directory being published and on the prevailing paper costs. According to our past experience, we expect a modest annual increase in publication costs primarily due to increase in paper costs and production expenses.

Selling expenses

Selling expenses for the three months ended June 30, 2005 were \$341,000 compared to \$216,000 for the corresponding period in 2004, an increase of \$125,000, or 57.9%. As a percentage of advertising revenues, selling expenses increased to 47.8% from 35.7%. The increase in selling expenses was attributable primarily to the increase in the Company's sales. The increase of selling expenses, as a percentage of advertising revenue is attributable to the general increase in sales generated by sales agencies with higher commission rates than sales generated by sales representatives who work directly for the Company. Since our principal selling expenses are represented by the sales commissions paid, we expect sales expenses to increase or decrease in accordance with the increase or decrease of revenues.

Administrative and general costs

Administrative and general costs for the three month ended June 30, 2005 were \$524,000 compared to \$686,000 for the same period in 2004, a decrease of \$162,000, or 23.6%. As a percentage of advertising revenues, administrative and general costs decreased to 73.4% from 113.4%. This decrease is primarily attributable to a decrease in bad debt expense of \$298,000 representing better collection rate of our directories offset by increased legal fees of \$41,000 (see Part II, Item 1, Legal Proceeding), increased advertising expenses, rent and travel costs of \$66,000. We expect administrative and general costs to increase as a result of ongoing expenses related to reporting company obligations and compliance such as those mandated by the provision of the Sarbanes - Oxley Act of 2002 and Nasdaq Stock Market requirements.

Other (loss) income

For the three month period ended June 30, 2005, we had other income consisting of dividends, interest and realized gains of \$253,000 compared to other income of \$125,000 for the three month period ended June 30, 2004. The increase is attributable primarily to the fact that the portion of the Company's portfolio consisting of marketable securities performed well in the second quarter of 2005.

Benefit for income taxes

There was no provision for income taxes in the three months ended June 30, 2005 compared to a benefit of \$138,000 for the three months ended June 30, 2004.

Discontinued operations

For the three month period ended June 30, 2004, net operating loss from discontinued operation totaled \$78,000. On August 24, 2004, we sold our wholly owned subsidiary, Blackbook Photography Inc., to Modern Holdings Incorporated, for \$2.25 million. Our net profit from the sale, before provision for income taxes, totaled \$1.186 million, previously presented on our financial statements for the period ended September 30, 2004. Net revenue from discontinued operation was \$537,000 for the quarter ended June 30, 2004.

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

Advertising revenues

Advertising revenues for six months ended June 30, 2005 were \$2,394,000 compared to \$3,041,000 for the six months ended June 30, 2004, a decrease of \$647,000, or 21.3%. Advertising revenues for six months ended June 30, 2004 included \$466,000 of recognized revenues resulting from the ninth and last edition of the sold New Yellow Manhattan Directory. The remaining \$181,000 decrease in revenues was attributable primarily to the decrease in revenue of the Jewish Israeli Yellow Pages directory, which had produced record high revenues in prior years offset by increased revenues from the eleventh and twelfth editions of the Jewish Master Guide directory, recognized in the three month period ended June 30, 2005. The increase in revenues from the Jewish Master Guide was due to a significant increase in number of sales representatives dedicated to its sales, especially after the sale of the New Yellow Manhattan directory.

During the sales period for the 30th edition of the Jewish Israeli Yellow Pages (published in February 2005), we experienced a few operational changes in our sales force including replacement of the sales managers in two of our sales offices, and the repositioning of some other personnel. These changes resulted in a period in which sales declined. We believe, however, that the changes to our sales force will have a positive affect on our sales in the near future.

The following table reflects the revenue attributed to each of our directories.

	Six months period ended	
	June 30, 2005	June 30, 2004
Jewish Israeli Yellow Pages	\$1,681,000	\$1,970,000
Jewish Master Guide	713,000	574,000
Graphics income	--	31,000
New Yellow Manhattan (sold in August 2003)	--	466,000
Total Revenues	\$2,394,000	\$3,041,000

For each of the six months ended June 30, 2005 and 2004, there were revenues attributable to the Jewish Master Guide directory and the Jewish Israeli Yellow Pages directory. In the third and fourth quarters, upon the publication and distribution of each directory, additional revenues, will be recognized accordingly. We sell advertisements to our directories until two weeks prior to the publication date. Therefore, it is not practical to predict specific edition sales.

Publishing costs

Publishing costs for the six months ended June 30, 2005 were \$324,000 compared to \$547,000 for the corresponding period in 2004, a decrease of \$223,000, or 40.8%. As a percentage of advertising revenues, publishing costs were 13.5% in the six month period ending June 30, 2005 compared to 18.0% in the corresponding period in 2004. The decrease in publishing costs was due primarily to the decrease in printing costs resulting from the sale of the New Yellow Manhattan directory, which was last published in the first quarter of 2004. In addition, the decrease in publishing costs reflects the savings of distribution costs resulting from the new and domestic printer that the Company started using for both the Jewish Master Guide and the Jewish Israeli Yellow Pages directories. The decreased publishing costs were slightly offset by the increase in printing cost for both of the Company's directories after a change in their size and formats. The difference in publishing costs can vary as it corresponds to the particular requirements of the directory being published and on the prevailing paper costs. According to our past experience, we expect a modest annual increase in publication costs primarily due to increase in paper costs and production expenses.

Selling expenses

Selling expenses for the six months ended June 30, 2005 were \$1,167,000 compared to \$1,318,000 for the corresponding period in 2004, a decrease of \$151,000, or 11.4%. As a percentage of advertising revenues, selling expenses increased to 48.7% from 43.3%. This decrease in selling expenses was attributable primarily to the decrease in the Company's sales. The increase of selling expenses as a percentage of advertising revenue is attributable to the general increase in sales generated by sales agencies with higher commission rates than sales generated by sales representatives who work directly for the Company. In addition, the increase of selling expenses as a percentage of advertising revenue is attributable to the higher commission and promotions rates the Company pays to both the Jewish Master Guide and the Jewish Israeli Yellow Pages directories compared to the commission rate previously paid for the New Yellow Manhattan directory. Since our principal selling expenses are represented by the sales commissions paid, we expect sales expenses to increase or decrease in accordance with the increase or decrease of revenues.

Administrative and general costs

Administrative and general costs for the six months ended June 30, 2005 were \$1,330,000 compared to \$1,271,000 for the same period in 2004, an increase of \$59,000, or 4.6%. As a percentage of advertising revenues, administrative and general costs increased to 55.6% from 41.8%. This increase is primarily attributable to increased legal fees of \$121,000 (see Part II, Item 1, Legal Proceeding), payroll expenses of \$50,000 reflecting normal fluctuation due to the increase or decrease of the number of our employees versus the use of outsourced personnel, advertising expenses, rent and travel costs of \$96,000, offset by decreased bad debt expenses of \$257,000 representing better collection rate of our directories. We expect administrative and general costs to increase as a result of ongoing expenses related to reporting company obligations and compliance such as those mandated by the provision of the Sarbanes - Oxley Act of 2002 and Nasdaq Stock Market requirements.

Other income

For the six month period ended June 30, 2005, we had other income consisting of dividend, interest and realized gains of \$226,000 compared to other income of \$244,000 for the six month period ended June 30, 2004. The decrease is attributable primarily to the fluctuation in performance of the Company's portfolio and marketable securities.

Provision for income taxes

There was no provision for income taxes in the six months ended June 30, 2005 and 2004, respectively. The Company has recorded in additional paid in capital an expected \$16,000 tax benefit resulting from options exercised during the first quarter of 2005.

Discontinued operations

For the six month period ended June 30, 2004, net operating loss from discontinued operation totaled \$200,000. On August 24, 2004, we sold our wholly owned subsidiary, Blackbook Photography Inc., to Modern Holdings Incorporated, for \$2.25 million. Our net profit from the sale, before provision for income taxes, totaled \$1.186 million, previously presented on our financial statements for the period ended September 30, 2004. Net revenue from discontinued operation was \$564,000 for the six month period ended June 30, 2004.

Liquidity and Capital Resources

At June 30, 2005, we had cash and cash equivalents, marketable securities and short terms investments of \$7,945,000 and working capital of \$7,120,000 as compared to cash and cash equivalents, marketable securities and short terms investments of \$8,335,000 and working capital of \$7,015,000 at June 30, 2004. The decrease in cash and cash equivalents and marketable securities primarily reflects the dividend payments of \$867,289 on January 5, 2005, and \$311,846 on each of April 5, 2005 and July 5, 2005. The increase in working capital is attributable primarily to better collection rates of our trade account receivable, which resulted from the increased number of employees delegated to focus on collection efforts, partially offset by the poor collection rate relating to our sold New Yellow Manhattan directory. Such increase is also attributable to the decrease in production and printing costs resulting from the sale of our New Yellow Manhattan directory.

Net cash used in operating activities was \$528,000 for the six months ended June 30, 2005. For the comparable period in 2004, net cash provided by operating activities was \$65,000. The decrease in net cash used in operating activities reflects the decreased advanced billing from unpublished directories mainly due to the sale of the New Yellow Manhattan directory and due to the general decrease in earnings from continuing operations.

Net cash provided by investing activities was \$1,942,000 for the six months ended June 30, 2005 compared to net cash provided by investing activities of \$4,260,000 for the comparable period in 2004. Net cash provided by investing activities was primarily the result of our sales of marketable securities and a change in our investment strategy.

Net cash used in financing activities for the six months ended June 30, 2005 was \$1,462,000 compared to \$578,000 for the comparable period in 2004. The net cash used in financing activities for the six months ended June 30, 2005 was due to the dividend paid to the Company's shareholders on January 5, 2005, April 5, 2005 and July 5, 2005 partially offset by the proceeds received from the exercise of stock options.

We have not entered into any off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons that are likely to affect liquidity or the availability of or requirements for capital resources.

We anticipate that our current cash balances together with our cash flows from operations will be sufficient to fund the production of our directories and the maintenance of our Web sites as well as increases in our marketing and promotional activities for the next 12 months. However, we expect our working capital requirements to increase over the next 12 months as we continue to strive for growth.

Changes to Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are set forth in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004. As of June 30, 2005, there have been no changes to such critical accountings policies and estimates.

Forward Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are typically identified by the words "believe", "expect", "intend", "estimate" and similar expressions. Those statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations or those of our directors or officers with respect to, among other things, trends affecting our financial conditions and results of operations and our business and growth strategies. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those projected, expressed or implied in the forward-looking statements as a result of various factors (such factors are referred to herein as "Cautionary Statements"), including but not limited to the following: (i) our limited operating history, (ii) potential fluctuations in our quarterly operating results, (iii) challenges facing us relating to our rapid growth, (iv) our dependence on a limited number of suppliers, and (v) challenges facing our reorganization plan. The accompanying information contained in this report, including the information set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations", identifies important factors that could cause such differences. These forward-looking statements speak only as of the date of this report, and we caution potential investors not to place undue reliance on such statements. We undertake no obligation to update or revise any forward-looking statements. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Cautionary Statements.

Item 3. CONTROL AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our chief executive officer and our chief financial officer, carried out an evaluation of the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based upon that evaluation, our chief executive officer and our chief financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective, providing them with material information relating to us as required to be disclosed in the reports we file or submit under the Exchange Act on a timely basis.

(b) Changes in Internal Control Over Financial Reporting. There were no changes in our internal controls over financial reporting, known to our chief executive officer or our chief financial officer, that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceeding

On February 24, 2004, the Jewish Sephardic YellowPages Ltd. (the "Plaintiff") filed a claim against us in the U.S. District Court for the Eastern District of New York, challenging our ownership of our federally registered trademark "Kosher Yellow Pages" and seeking declaratory judgment, injunctive relief and compensatory and punitive monetary damages against us in connection with our use of the trademark. We filed an answer on April 7, 2004 vigorously denying plaintiff's claims and asserting that there is no basis for liability. We have also asserted a counterclaim and third party complaint against Plaintiff and the Plaintiff's owner in which we seeks a declaratory judgment that we are the rightful owner of the mark "the Kosher Yellow Pages", and seeking injunctive relief, compensatory and punitive monetary damages and other relief against the continuing, unauthorized use of this trademark by the Plaintiff. As of December 31, 2004, we asked for the court permission to file a motion for summary judgment, which was granted, by the court. On April 5, 2005, we filed a motion for summary judgment.

On December 28, 2004, Le Book Publishing, Inc., filed a claim in the U.S. District Court for the Southern District of New York, naming Black Book Photography, Inc. and the Company as defendants. Blackbook Photography Inc. was a wholly owned subsidiary of the Company, which the Company sold to Modern Holdings, Inc. on August 24, 2004. The complaint, which seeks damages, alleges, among other things, copyright and trademark infringement by the defendants with respect to the plaintiff's intellectual property rights in "Le Book." On March 28, 2005, we filed a motion to dismiss plaintiff's complaint. The motion to dismiss is still pending. We intend to vigorously defend against plaintiff's claims, as we believe that there is no basis for liability.

Item 4. Submission of Matters to a Vote of Security Holders

(a) Our annual meeting of shareholders was held on July 12, 2005.

(b) The following is a list of all nominees for Director of the Company who were elected at the annual meeting and whose term of office continued after the annual meeting:

Assaf Ran
Michael Jackson
Yael Shimor-Golan
Phillip Michals
Eran Goldshmid

(c) There were present at the annual meeting in person or by proxy 3,161,152 shares of our common stock out of a total of 3,187,190 shares of our common stock issued and outstanding and entitled to vote at the annual meeting.

(d) The results of the vote of the shareholders taken at the annual meeting by ballot and by proxy as solicited by us on behalf of the board of directors were as follows:

(i) The results of the vote taken at the annual meeting for the election of the nominees for our board of directors were as follows:

Nominee	For	Withheld
Assaf Ran	2,982,892	178,260
Michael Jackson	2,983,507	177,645
Yael Shimor-Golan	2,982,892	178,260
Phillip Michals	2,982,783	178,369
Eran Goldshmid	2,983,307	177,845

(ii) A vote was taken on the proposal to amend the Company's 1999 Stock Option Plan to increase the number of shares of common stock available for issuance from 704,000 to 854,000 shares. The results of the vote taken at the annual meeting with respect to such

proposal were as follows:

For	Against	Abstain	Broker Non-Votes
1,419,720	207,448	1,901	1,532,083

Item 6. EXHIBITS

Exhibit No. -----	Description -----
3.1	Amended and Restated Bylaws.
10.1	1999 Stock Option Plan, as amended.
31.1	Chief Executive Officer Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification as required under section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification as required under section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DAG Media, Inc. (Registrant)

Date: July 29, 2005

By: /s/ Assaf Ran

*Assaf Ran, President and Chief Executive Officer
(Principal Executive Officer)*

Date: July 29, 2005

By: /s/ Yael Shimor-Golan

*Yael Shimor-Golan, Chief Financial Officer
(Principal Financial and Accounting Officer)*

EXHIBIT 3.1

AMENDED AND RESTATED BYLAWS OF DAG MEDIA, INC ARTICLE I

OFFICES

Section 1. PRINCIPAL OFFICE - The principal office of the Corporation shall be as set forth in its Certificate of Incorporation.

Section 2. ADDITIONAL OFFICES - The Corporation may have such additional offices at such other place within or without the State of New York as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE II

SHAREHOLDERS' MEETING

Section 1 ANNUAL MEETING - The annual meeting of shareholders shall be held on a date and at a time designated by the Board of Directors (which date shall not be a legal holiday in the place where the meeting is to be held) (either within or without the State of New York) and specified in the notice of meeting for the purpose of electing directors and transacting such other business as may properly be brought before the meeting.

Section 2 SPECIAL MEETING - A special meeting of shareholders may be called at any time by the President and shall be called by the President at the request in writing of a majority of the Board of Directors then in office or at the request in writing filed with the Secretary by the holders of a majority of the issued and outstanding shares of the capital stock of the Corporation entitled to vote at such meeting. Any such request shall state the purpose or purposes of the proposed meeting. Special meetings shall be held at such time and place (either within or without the State of New York) as shall be specified in the notice thereof. Business transacted at any special meeting of shareholders shall be confined to the purposes set forth in the notice thereof.

Section 3 NOTICE OF MEETINGS - Written notice of the time, and place and purpose of every meeting of shareholders (and, if other than an annual meeting, indicating the person or persons at whose discretion the meeting is being convoked), shall be given by the President, a Vice-President or by the Secretary to each shareholder of record entitled to vote at such meeting and to each shareholder who, by reason of any action proposed at such meeting, would be entitled to have his stock appraised if such action were taken, not less than ten nor more than fifty days prior to the date set for the meeting, either personally or by mailing said notice by first class mail to each shareholder at his address appearing on the stock book of the Corporation or at such other address supplied by him in writing to the Secretary of the Corporation for the purpose of receiving notice. Notice by mail shall be deemed to be given when deposited, postage prepaid, in a post office or official depository under the exclusive care and custody of the United States Post Office Department. The record date for determining the shareholders entitled to such notice shall be determined by the Board of Directors in accordance with Section 6 of ARTICLE SIXTH of these Bylaws. If the directors shall adopt, amend or repeal a by-law regulating an impending election of directors, the notice of the next meeting of shareholders for the election of directors shall set forth the by-law so adopted, amended or repealed together with a concise statement of the changes made as required by Section 601(b) of the Business Corporation Law. If any action is proposed to be taken which would, if taken, entitle shareholders to receive payment for their shares, the notice of meeting shall include a statement to such effect. A written waiver of notice setting forth the purposes of the meeting for which notice is waived, signed by the person or persons entitled to such notice, whether before or after the time of the meeting stated therein, shall be deemed equivalent to the giving of such notice. The attendance by a shareholder at a meeting either in person or by proxy without protesting the lack of notice thereof shall constitute a waiver of notice of such shareholder. All notice given with respect to an original meeting shall extend to any and all adjournments thereof and such business as might have been transacted at the original meeting may be transacted at any adjournment thereof; no notice of any adjourned meeting need be given if an announcement of the time and place of the adjourned meeting is made at the original meeting.

Section 4 QUORUM - The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of shareholders for the transaction of business except as otherwise provided by statute or the Certificate of Incorporation. If, however, a quorum shall not be present or represented at any meeting of shareholders, the shareholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. When a quorum is once present to organize a meeting, such quorum is not deemed broken by the subsequent withdrawal of any shareholders.

Section 5 VOTING - Every shareholder entitled to vote at any meeting shall be entitled to one vote for each share of stock entitled to vote and held by him of record on the date fixed as the record date for said meeting and may so vote in person or by proxy. At all elections of directors when a quorum is present, a plurality of the votes cast by the holders of shares entitled to vote shall elect and any other corporate action, when a quorum is present, shall be authorized by a majority of the votes cast by the holders of shares entitled to vote thereon except as may otherwise be provided by statute or the Certificate of Incorporation.

Section 6 PROXIES - Every proxy must be signed by the shareholder entitled to vote or by his duly authorized attorney-in-fact and shall be valid only if filed with the Secretary of the Corporation or with the Secretary of the meeting prior to the commencement of voting on the matter in regard to which said proxy is to be voted. No proxy shall be valid after the expiration of eleven months from the date of its execution unless otherwise expressly provided in the proxy. Every proxy shall be revocable at the pleasure of the person executing it except as otherwise provided by Section 609 of the Business Corporation Law. Unless the proxy by its terms provides for a specific revocation date and except as otherwise provided by statute, revocation of a proxy shall not be effective unless and until such revocation is executed in writing by the shareholder who executed such proxy and the revocation is filed with the Secretary of the Corporation or with the Secretary of the Meeting prior to the voting of the proxy.

Section 7 SHAREHOLDERS' LIST - A list of shareholders as of the record date, certified by the Secretary of the Corporation or by a transfer agent appointed by the Board of Directors shall be prepared for every meeting of shareholders and shall be produced by the Secretary or some other officer of the Corporation thereat.

Section 8 INSPECTORS AT MEETINGS - In advance of any shareholders' meeting, the Board of Directors may appoint one or more inspectors to act at the meeting or at any adjournment thereof and if not so appointed the person presiding at any such meeting may, and at the request of any shareholder entitled to vote thereat shall, appoint one or more inspectors. Each inspector, before entering upon the discharge of his duties as set forth in Section 611 of the Business Corporation Law, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

Section 9 CONDUCT OF MEETING - All meetings of shareholders shall be presided over by the President, or if he is not present, by a Vice-President, or if neither the President nor any Vice-President is present, by a chairman thereby chosen by the shareholders at the meeting. The Secretary of the Corporation, or in his absence, an Assistant Secretary, shall act as secretary of every meeting but if neither the Secretary nor the Assistant Secretary is present, the chairman of the meeting shall appoint any person present to act as secretary of the meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1 FUNCTION AND DEFINITION - The business and property of the Corporation shall be managed by its Board of Directors who may exercise all the powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the shareholders.

Section 2 NUMBER AND QUALIFICATION - The number of directors constituting the entire Board shall be not less than one nor more than nine, as may be fixed by resolution of the Board of Directors or by the shareholders entitled to vote for the election of directors, provided that any such action of the Board shall require the vote of a majority of the entire Board and, provided further, that the number of directors constituting the entire Board shall not be less than three unless all the shares of capital stock of the Corporation are owned beneficially and of record by less than three shareholders, in which event the number of directors may be less than three but not less than the number of such shareholders. The phrase "entire Board" as used herein means the total number of directors which the Corporation would have if there were no vacancies. Unless and until a different number shall be so fixed within the limits above specified, the Board shall consist of three directors. The term of any incumbent director shall not be shortened by any such action by the Board of Directors or by the shareholders. Each director shall be at least twenty-one years of age. A director need not be a shareholder, a citizen of the United States or a resident of the State of New York.

Section 3 ELECTION TERM AND VACANCIES - Except as otherwise provided in this Section, all directors shall be elected at the annual meeting of shareholders and all directors who are so elected or who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of shareholders and until their respective successors have been elected and qualified. In the interim between annual meetings of shareholders, newly-created directorships resulting from an increase in the number of directors or from vacancies occurring in the Board, but not, except as hereinafter provided, in the case of a vacancy occurring by reason of removal of a director by the shareholders, may be filled by the vote of a majority of the directors, then remaining in office, although less than a quorum may exist. In the case of a vacancy occurring in the Board of Directors by reason of the removal of one or more directors by action of the shareholders, such vacancy may be filled by the shareholders at a special meeting duly called for such purpose. In the event a vacancy is not filled by such election by shareholders, whether or not the vacancy resulted from the removal of a director with or without cause, a majority of the directors then remaining in office, although less than a quorum, may fill any such vacancy.

Section 4 REMOVAL - The Board of Directors may, at any time, with cause, remove any director. A majority of the shareholders entitled to vote for the election of directors may, at any time, remove any or all of the directors with or without cause.

Section 5 MEETINGS - The annual meeting of the Board of Directors for the election of officers and the transaction of such other business as may come before the meeting, shall be held, without notice, immediately following the annual meeting of shareholders, at the same place at which such shareholders' meeting is held. Regular meetings of the Board of Directors shall be held at such time and place, within or outside the State of New York, as may be fixed by resolution of the Board, and when so fixed, no further notice thereof need be given. Regular meetings not fixed by resolution of the Board may be held on notice at such time and place as shall be determined by the Board. Special meetings of the Board of Directors may be called on notice at any time by the President, and shall be called by the President at the written request of a majority of the directors then in office.

Section 6 NOTICE OF MEETINGS - No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral, or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. Notice need not be given to any director or to any member of a committee of directors who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when he attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written waiver of notice.

Section 7 CONDUCT OF MEETINGS - The President, if present, shall preside at all meetings of directors. At all meetings at which the President is not present any other director chosen by the Board shall preside.

Section 8 QUORUM, ADJOURNMENT, VOTING - Except as otherwise provided by the Certificate of Incorporation, a majority of the entire Board shall be requisite and shall constitute a quorum at all meetings of the Board of Directors for the transaction of business. Where a vacancy or vacancies prevents such majority, a majority of the directors then in office shall constitute a quorum. A majority of the directors present at any meeting, whether or not a quorum is present, may adjourn the meeting to another time and place without further notice other than an announcement at the meeting. Except as otherwise provided by the Certificate of Incorporation, when a quorum is present at any meeting, a majority of the directors present shall decide any questions brought before such meeting and the act of such majority shall be the act of the Board.

Section 9 ACTION WITHOUT MEETING - Any action required or permitted to be taken by the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or of any committee thereof consent in writing to the adoption of a resolution authorizing the action. Any one or more members of the Board of Directors or of any committee thereof may participate in a meeting of said Board or of any such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time, and participation by such means shall constitute presence in person at the meeting.

Section 10 COMPENSATION OF DIRECTORS - Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at any meeting of the Board of Directors or of any committee thereof. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving reasonable compensation therefor.

Section 11 COMMITTEES - The Board of Directors, by resolution of a majority of the entire Board, may designate from among its members one or more committees, each consisting of three or more directors, and each of which, to the extent provided in such resolution, shall have all the authority of the Board except that no such committee shall have authority as to any of the following matters:

(a) the submission to stockholders of any action as to which stockholders' authorization or approval is required by statute, the Certificate of Incorporation or by these Bylaws; (b) the filing of vacancies in the Board of Directors or in any committee thereof; (c) the fixing of compensation of the directors for serving on the Board or on any committee thereof; (d) the amendment or repeal of these Bylaws or the adoption of new Bylaws; and (e) the amendment or repeal of any resolution of the Board of Directors which by its terms shall not be so amendable or repealable. The Board may designate one or more directors as alternate members of any such committee who may replace any absent member or members at any meeting of such committee. Each such committee shall serve at the pleasure of the Board. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, or to discharge any such committee. Committees shall keep minutes of their proceedings and shall report the same to the Board of Directors at the meeting of the Board next succeeding, and any action by the committee shall be subject to revision and alteration by the Board of Directors, provided that no rights of a third party shall be affected in any such revision or alteration.

Section 12 All material transactions and loans between the Corporation and any of its officers, directors or shareholders owning 5% or more of the Corporation's issued and outstanding common shares (taking into account all securities convertible into common shares on an "as converted" basis) must be on terms no less favorable than those that can be obtained from unaffiliated third parties and all future material transactions and loans between the Corporation and any such persons must be approved by a majority of the independent directors of the Corporation who do not have any interest in such transaction and who have access, at the Corporation's expense, to the Corporation's independent legal counsel.

ARTICLE IV

OFFICES

Section 1 EXECUTIVE OFFICERS - The Officers of the Corporation shall be a President, one or more Vice-Presidents, a Treasurer and a Secretary and such Assistant Treasurers and Assistant Secretaries and other officers as the Board of Directors may determine. Any two or more offices may be held by the same person, except the offices of President and Secretary, unless all of the issued and outstanding shares of capital stock of the Corporation are owned by one person, in which event such person may hold all or any combination of offices.

Section 2 ELECTION - The President, one or more Vice-Presidents, the Treasurer and Secretary shall be elected by the Board of Directors to hold office until the meeting of the Board held immediately following the next annual meeting of shareholders and shall hold office for the term for which elected and until their successors have been elected and qualified. The Board of Directors may from time to time appoint all such other officers as it may determine and such officers shall hold office from the time of their appointment and qualifications until the time at which their successors are appointed and qualified. A vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the Board of Directors.

Section 3 REMOVAL - Any officer may be removed from office by the Board at any time with or without cause.

Section 4 DELEGATION OF POWERS - The Board of Directors may from time to time delegate the power or duties of any officer of the Corporation, in the event of his absence or failure to act otherwise, to any other officer or director or person whom they may select.

Section 5 COMPENSATION - The compensation of each officer shall be such as the Board of Directors may from time to time determine.

Section 6 CHIEF EXECUTIVE OFFICER - The Board of Directors shall designate the President as the chief executive officer of the Corporation who shall have general charge of the business and affairs of the Corporation, subject, however, to the right of the Board of Directors to confer specified powers on officers and subject generally to the direction of the Board. Unless otherwise ordered by the Board of Directors, the Chief Executive Officer, or in the event of his inability to act, any other officer designated by the Board, shall have full power and authority on behalf of the Corporation to attend and to act and to vote at any meetings of security holders of corporations in which the Corporation may hold securities, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such securities, and which, as the owner thereof, the Corporation might have possessed and exercised, if present. The Board of Directors by resolution from time to time may confer like powers upon any other person or persons.

Section 7 PRESIDENT The President, if not designated as Chief Executive Officer, shall have such duties as the Board may prescribe.

Section 8 VICE-PRESIDENT - The Vice-President shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chief Executive Officer to perform his duties or exercise his powers, the Vice-President or, if there be more than one, a Vice-President designated by the Board, shall exercise the powers and perform the duties of the President subject to the direction of the Board of Directors.

Section 9 SECRETARY - The Secretary shall keep the minutes of all meetings and record all votes of shareholders, the Board of Directors and committees in a book to be kept for that purpose. He shall give or cause to be given any required notice of meetings of shareholders, the Board of Directors or any committee, and shall be responsible for preparing or obtaining from a transfer agent appointed by the Board, the list of shareholders required by Article II, Section 7 thereof. He shall be the custodian of the seal of the Corporation and shall affix or cause to be affixed the seal to any instrument requiring it and attest the same and exercise the powers and perform the duties incident to the office of Secretary subject to the direction of the Board of Directors.

Section 10 TREASURER - Subject to the direction of the Board of Directors, the Treasurer shall have charge of the general supervision of the funds and securities of the Corporation and the books of account of the Corporation and shall exercise the powers and perform the duties incident to the office of the Treasurer. If required by the Board of Directors, he shall give to the Corporation a bond in such sum and with such sureties as may be satisfactory to the Board of Directors for the faithful discharge of his duties.

Section 11 OTHER OFFICERS - All other officers, if any, shall have such authority and shall perform such duties as may be specified from time to time by the Board of Directors.

ARTICLE V

RESIGNATIONS

Any director or officer of the Corporation or any member of any committee of the Board of Directors of the Corporation, may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time is not specified therein, upon the receipt thereof, irrespective of whether any such resignation shall have been accepted.

ARTICLE VI

CERTIFICATES REPRESENTING SHARES

Section 1 FORM OF CERTIFICATES - Each shareholder shall be entitled to a certificate or certificates in such form as prescribed by the Business Corporation Law and by any other applicable statutes, which Certificate shall represent and certify the number, kind and class of shares owned by him in the Corporation. The Certificates shall be numbered and registered in the order in which they are issued and upon issuance the name in which each Certificate has been issued together with the number of shares represented thereby and the date of issuance shall be entered in the stock book of the Corporation by the Secretary or by the transfer agent of the Corporation. Each certificate shall be signed by the President or a Vice-President and countersigned by the Secretary or Assistant Secretary and shall be sealed with the Corporate Seal or a facsimile thereof. The signature of the officers upon a certificate may also be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or an employee of the Corporation. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before the certificate is issued, such certificate may be issued by the Corporation with the same effect as if the officer had not ceased to be such at the time of its issue.

Section 2 CONSIDERATION - A certificate representing shares shall not be issued until the full amount of consideration therefor has been paid to the Corporation, except if otherwise permitted by Section 504 of the Business Corporation Law.

Section 3 LOST CERTIFICATES - The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation, alleged to have been lost, mutilated, stolen or destroyed, upon the making of an affidavit of that fact by the person so claiming and upon delivery to the Corporation, if the Board of Directors shall so require, of a bond in such form and with such surety or sureties as the Board may direct, sufficient in amount to indemnify the Corporation and its transfer agent against any claim which may be made against it or them on account of the alleged loss, destruction, theft or mutilation of any such certificate or the issuance of any such new certificate.

Section 4 FRACTIONAL SHARE INTERESTS - The Corporation may issue certificates for fractions of a share where necessary to effect transactions authorized by the Business Corporation Law; or it may pay in cash the fair market value of fractions of a share as of the time when those entitled to receive such fractions are determined; or it may issue scrip in registered or bearer form over the manual or facsimile signature of an officer of the Corporation or of its agent, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a shareholder except as therein provided.

Section 5 SHARE TRANSFERS - Upon compliance with provisions restricting the transferability of shares, if any, transfers of shares of the Corporation shall be made only on the share record of the Corporation by the registered holder thereof, or by his duly authorized attorney, upon the surrender of the certificate or certificates for such shares properly endorsed with payment of all taxes thereon.

Section 6 RECORD DATE FOR SHAREHOLDERS - For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof or to express consent or dissent from any proposal without a meeting, or for the purpose of determining the shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of any meeting nor more than fifty days prior to any action taken without a meeting, the payment of any dividend or the allotment of any rights, or any other action. When a determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board fixes a new record date under this Section for the adjourned meeting.

Section 7 SHAREHOLDERS OF RECORD - The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of New York.

ARTICLE VII

STATUTORY NOTICES

The Board of Directors may appoint the Treasurer or any other officer of the Corporation to cause to be prepared and furnished to shareholders entitled thereto any special financial notice and/or statement which may be required by Sections 510, 511, 515, 516, 517, 519 and 520 of the Business Corporation Law or by any other applicable statute.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and shall be subject to change from time to time, by the Board of Directors.

ARTICLE IX

CORPORATE SEAL

The Corporate seal shall have inscribed thereon the name of the Corporation, the year of its incorporation and the words "Corporate Seal" and "New York" and shall be in such form and contain such other words and/or figures as the Board of Directors shall determine. The Corporate seal may be used by printing, engraving, lithographing, stamping or otherwise making, placing or affixing, or causing to be printed, engraved, lithographed, stamped or otherwise made, placed or affixed, upon any paper or document, by any process whatsoever, an impression, facsimile or other reproduction of said Corporate seal.

ARTICLE X

BOOKS AND RECORDS

There shall be maintained at the principal office of the Corporation books of account of all the Corporation's business and transactions. There shall be maintained at the principal office of the corporation or at the office of the Corporation's transfer agent a record containing the names and addresses of all shareholders, the number and class of shares held by such and the dates when they respectively became the owners of record thereof.

ARTICLE XI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

Any person made or threatened to be made a party to an action or proceeding, whether civil or criminal, by reason of the fact that he, his testator or intestate, then is or was a director, officer, employee or agent of the Corporation, or then serves or has served any other corporation in any capacity at the request of the Corporation, shall be indemnified by the Corporation against reasonable expenses, judgments, fines and amounts actually and necessarily incurred in connection with the defense of such action or proceeding or in connection with an appeal therein, to the fullest extent permissible by the laws of the State of New York. Such right of indemnification shall not be deemed exclusive of any other rights to which such person may be entitled.

ARTICLE XII

AMENDMENTS

The shareholders entitled at the time to vote in the election of directors and the Board of Directors by vote of a majority of the entire Board, shall have the power to amend or repeal these By-Laws and to adopt new By-Laws, provided, however, that any by-law adopted, amended or repealed by the Board of Directors may be amended or repealed by the shareholders entitled to vote thereon as herein provided.

EXHIBIT 10.1

DAG Media, INC. 1999 STOCK OPTION PLAN AS AMENDED

1. Purpose; Types of Awards; Construction.

The purpose of the DAG Media, Inc. 1999 Stock Option Plan (the "Plan") is to align the interests of officers, other key employees, consultants and non-employee directors of DAG Media, Inc. (the "Company") and its subsidiaries with those of the shareholders of the Company, to afford an incentive to such officers, employees, consultants and directors to continue as such, to increase their efforts on behalf of the Company and to promote the success of the Company's business. To further such purposes, the Committee may grant options to purchase Common Shares. The provisions of the Plan are intended to satisfy the requirements of Section 16(b) of the Securities Exchange Act of 1934 and of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall be interpreted in a manner consistent with the requirements thereof, as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

2. Definitions.

As used in this Plan, the following words and phrases shall have the meanings indicated below:

- (a) "Agreement" shall mean a written agreement entered into between the Company and an Optionee in connection with an award under the Plan.
- (b) "Board" shall mean the Board of Directors of the Company.
- (c) "Cause" when used in connection with the termination of an Optionee's employment by the Company or the cessation of an Optionee's service as a consultant or a member of the Board, shall mean (i) the conviction of the Optionee for the commission of a felony, (ii) the willful and continued failure by the Optionee substantially to perform his duties and obligations to the Company or a Subsidiary (other than any such failure resulting from his incapacity due to physical or mental illness), or (iii) the willful engaging by the Optionee in misconduct that is demonstrably injurious to the Company or a Subsidiary. For purposes of this Section 2(c), no act, or failure to act, on an Optionee's part shall be considered "willful" unless done, or omitted to be done, by the Optionee in bad faith and without reasonable belief that his action or omission was in the best interest of the Company. The Committee shall determine whether a termination of employment is for Cause for purposes of the Plan.
- (d) "Change in Control" shall mean the occurrence of the event set forth in any of the following paragraphs:
 - (i) any Person (as defined below) is or becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its subsidiaries) representing 50% or more of the combined voting power of the Company's then outstanding securities; or
 - (ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or a direct or indirect subsidiary thereof with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its subsidiaries) representing 50% or more of the combined voting power of the Company's then outstanding securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

For purposes of this Section 2(d), "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) "Committee" shall mean a committee established by the Board to administer the Plan.

(g) "Common Shares" shall mean the common shares, par value \$0.001 per share, of the Company.

(h) "Company" shall mean DAG Media, Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

(i) "Disability" shall mean an Optionee's inability to perform his duties with the Company or on the Board by reason of any medically determinable physical or mental impairment, as determined by a physician selected by the Optionee and acceptable to the Company.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

(k) "Fair Market Value" per share as of a particular date shall mean (i) if the Common Shares are then listed on a national securities exchange, the closing sales price per Common Shares on the national securities exchange on which the Common Shares are principally traded for the last preceding date on which there was a sale of such Common Shares on such exchange, or (ii) if the Common Shares are then traded in an over-the-counter market, the closing bid price for the Common Shares in such over-the-counter market for the last preceding date on which there was a sale of such Common Shares in such market, or (iii) if the Common Shares are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Committee, in its sole discretion, shall determine.

- (l) "Incentive Stock Option" shall mean any option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.
- (m) "Non-employee Director" shall mean a member of the Board who is not an employee of the Company.
- (n) "Nonqualified Option" shall mean an Option that is not an Incentive Stock Option.
- (o) "Option" shall mean the right, granted hereunder, to purchase Common Shares. Options granted by the Committee pursuant to the Plan may constitute either Incentive Stock Options or Nonqualified Stock Options.
- (p) "Optionee" shall mean a person who receives a grant of an Option.
- (q) "Option Price" shall mean the exercise price of the Common Shares covered by an Option.
- (r) "Parent" shall mean any company (other than the Company) in an unbroken chain of companies ending with the Company if, at the time of granting an Option, each of the companies other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain.
- (s) "Plan" shall mean this DAG Media, Inc. 1999 Stock Option Plan.
- (t) "Retirement" shall mean the retirement of an Optionee in accordance with the terms of any tax-qualified retirement plan maintained by the Company or a Subsidiary in which the Optionee participates. If the Optionee is not a participant in such a plan, such term shall mean the termination of the Optionee's employment or cessation of the Optionee's service as a member of the Board, other than by reason of death, Disability or Cause on or after attainment of the age of 65.
- (u) "Rule 16b-3" shall mean Rule 16b-3, as from time to time in effect, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, including any successor to such Rule.
- (v) "Subsidiary" shall mean any company (other than the Company) in an unbroken chain of companies beginning with the Company if, at the time of granting an Option, each of the companies other than the last company in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain.
- (w) "Ten Percent Stockholder" shall mean an Optionee who, at the time an Incentive Stock Option is granted, owns (or is deemed to own pursuant to the attribution rules of Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary.

3. Administration.

The Plan shall be administered by the Committee, the members of which shall, except as may otherwise be determined by the Board, be "non-employee directors" under Rule 16b-3 and "outside directors" under Section 162(m) of the Code.

The Committee shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Options; to determine which Options shall constitute Incentive Stock Options and which Options shall constitute Nonqualified Stock Options; to determine the purchase price of the Common Shares covered by each Option; to determine the persons to whom, and the time or times at which awards shall be granted; to determine the number of shares to be covered by each award; to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the Agreements (which need not be identical) and to cancel or suspend awards, as necessary; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, including delegating to one or more of the Company's management employees the authority to grant Options to employees who are not "insiders" for purposes of Section 16 of the Exchange Act and who are not "covered employees" for purposes of Section 162(m) of the Code, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Board shall have sole authority, unless expressly delegated to the Committee, to grant Options to Non-employee Directors. All decisions, determination and interpretations of the Committee shall be final and binding on all Optionees of any awards under this Plan.

The Board shall have the authority to fill all vacancies, however caused, in the Committee. The Board may from time to time appoint additional members to the Committee, and may at any time remove one or more Committee members. One member of the Committee shall be selected by the Board as chairman. The Committee shall hold its meetings at such times and places as it shall deem advisable. All determinations of the Committee shall be made by a majority of its members either present in person or participating by conference telephone at a meeting or by written consent. The Committee may appoint a secretary and make such rules and regulations for the conduct of its business as it shall deem advisable, and shall keep minutes of its meetings.

No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any award granted hereunder.

4. Eligibility.

Awards may be granted to officers and other key employees of and consultants to the Company, and its Subsidiaries, including officers and directors who are employees, and to Non-employee Directors. In determining the persons to whom awards shall be granted and the number of shares to be covered by each award, the Committee shall take into account the duties of the respective persons, their present and potential contributions to the success of the Company and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

5. Stock.

The maximum number of Common Shares reserved for the grant of awards under the Plan shall be 854,000, subject to adjustment as provided in Section 9 hereof. Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be required by the Company.

If any outstanding award under the Plan should for any reason expire, be canceled or be forfeited without having been exercised in full, the Common Shares allocable to the unexercised, canceled or terminated portion of such award shall (unless the Plan shall have been terminated) become available for subsequent grants of awards under the Plan.

6. Terms and Conditions of Options.

Each Option granted pursuant to the Plan shall be evidenced by an Agreement, in such form and containing such terms and conditions as the Committee shall from time to time approve, which Agreement shall comply with and be subject to the following terms and conditions, unless otherwise specifically provided in such Option Agreement:

(a) Number of Shares. Each Option Agreement shall state the number of Common Shares to which the Option relates.

(b) Type of Option. Each Option Agreement shall specifically state that the Option constitutes an Incentive Stock Option or a Nonqualified Stock Option.

(c) Option Price. Each Option Agreement shall state the Option Price, which shall not be less than one hundred percent (100%) of the Fair Market Value of the Common Shares covered by the Option on the date of grant unless, with respect to Nonqualified Stock Options, otherwise determined by the Committee. The Option Price shall be subject to adjustment as provided in Section 9 hereof. The date as of which the Committee adopts a resolution expressly granting an Option shall be considered the day on which such Option is granted, unless such resolution specifies a different date.

(d) Medium and Time of Payment. The Option Price shall be paid in full, at the time of exercise, in cash or in Common Shares then owned by the Optionee having a Fair Market Value equal to such Option Price or in a combination of cash and Common Shares or, unless the Committee shall determine otherwise, by a cashless exercise procedure through a broker-dealer.

(e) Exercise Schedule and Period of Options. Each Option Agreement shall provide the exercise schedule for the Option as determined by the Committee; provided, however, that, the Committee shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. The exercise period shall be ten (10) years from the date of the grant of the Option unless otherwise determined by the Committee; provided, however, that, in the case of an Incentive Stock Option, such exercise period shall not exceed ten

(10) years from the date of grant of such Option. The exercise period shall be subject to earlier termination as provided in Sections 6(f) and 6(g) hereof. An Option may be exercised, as to any or all full Common Shares as to which the Option has become exercisable, by written notice delivered in person or by mail to the Secretary of the Company, specifying the number of shares of Common Shares with respect to which the Option is being exercised. Notwithstanding any other provision of this Plan, no Option granted hereunder may be exercised prior to the consummation of an underwritten public offering of the Company's securities where the gross proceeds from such offering are in excess of \$5 million.

(f) Termination. Except as provided in this Section 6(f) and in Section 6(g) hereof, an Option may not be exercised unless (i) with respect to an Optionee who is an employee of the Company, the Optionee is then in the employ of the Company or a Subsidiary (or a company or a Parent or Subsidiary company of such company issuing or assuming the Option in a transaction to which Section 424(a) of the Code applies), and unless the Optionee has remained continuously so employed since the date of grant of the Option and (ii) with respect to an Optionee who is a Non-employee Director, the Optionee is then serving as a member of the Board or as a member of a board of directors of a company or a Parent or Subsidiary company of such company issuing or assuming the Option. In the event that the employment of an Optionee shall terminate or the service of an Optionee as a member of the Board shall cease (other than by reason of death, Disability, Retirement or Cause), all Options of such Optionee that are exercisable at the time of such termination may, unless earlier terminated in accordance with their terms, be exercised within ninety (90) days after the date of such termination or service (or such different period as the Committee shall prescribe).

(g) Death, Disability or Retirement of Optionee. If an Optionee shall die while employed by the Company or a Subsidiary or serving as a member of the Board, or within ninety (90) days after the date of termination of such Optionee's employment or cessation of such Optionee's service (or within such different period as the Committee may have provided pursuant to Section 6(f) hereof), or if the Optionee's employment shall terminate or service shall cease by reason of Disability or Retirement, all Options theretofore granted to such Optionee (to the extent otherwise exercisable) may, unless earlier terminated in accordance with their terms, be exercised by the Optionee or by his beneficiary, at any time within one year after the death, Disability or Retirement of the Optionee (or such different period as the Committee shall prescribe). In the event that an Option granted hereunder shall be exercised by the legal representatives of a deceased or former Optionee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or equivalent proof of the right of such legal representative to exercise such Option. Unless otherwise determined by the Committee, Options not otherwise exercisable on the date of termination of employment shall be forfeited as of such date.

(h) Other Provisions. The Option Agreements evidencing awards under the Plan shall contain such other terms and conditions not inconsistent with the Plan as the Committee may determine, including penalties for the commission of competitive acts and a provision providing that no option may be exercised prior to the consummation of an underwritten initial public offering of the Company's securities pursuant to a registration statement filed pursuant to the Securities Act of 1933, as amended.

7. Non Discretionary Grants.

Each director of the Company, other than a director who is an officer, employee or beneficial owner of 10% or more of the Company's Common Shares (or an officer, director, employee or affiliate thereof), upon first taking office shall be granted options for 7,000 Common Shares.

8. Nonqualified Stock Options.

Options granted pursuant to Section 7 hereof are intended to constitute Nonqualified Stock Options and shall be subject only to the general terms and conditions specified in Section 6 hereof.

9. Incentive Stock Options.

Options granted pursuant to this Section 9 are intended to constitute Incentive Stock Options and shall be subject to the following special terms and conditions, in addition to the general terms and conditions specified in Section 6 hereof. An Incentive Stock Option may not be granted to a Non-employee Director or a consultant to the Company.

(a) Value of Shares. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Common Shares with respect to which Incentive Stock Options granted under this Plan and all other option plans of any subsidiary become exercisable for the first time by each Optionee during any calendar year shall not exceed \$100,000.

(b) Ten Percent Stockholder. In the case of an Incentive Stock Option granted to a Ten Percent Stockholder, (i) the Option Price shall not be less than one hundred ten percent (110%) of the Fair Market Value of the Common Shares on the date of grant of such Incentive Stock Option, and (ii) the exercise period shall not exceed five (5) years from the date of grant of such Incentive Stock Option.

10. Effect of Certain Changes.

(a) In the event of any extraordinary dividend, stock dividend, recapitalization, merger, consolidation, stock split, warrant or rights issuance, or combination or exchange of such shares, or other similar transactions, each of the number of Common Shares available for awards, the number of such shares covered by outstanding awards, and the price per share of Options, as appropriate, shall be equitably adjusted by the Committee to reflect such event and preserve the value of such awards; provided, however, that any fractional shares resulting from such adjustment shall be eliminated.

(b) Upon the occurrence of a Change in Control, each Option granted under the Plan and then outstanding but not yet exercisable shall thereupon become fully exercisable.

11. Surrender and Exchange of Awards.

The Committee may permit the voluntary surrender of all or a portion of any Option granted under the Plan or any option granted under any other plan, program or arrangement of the Company or any Subsidiary ("Surrendered Option"), to be conditioned upon the granting to the Optionee of a new Option for the same number of Common Shares as the Surrendered Option, or may require such voluntary surrender as a condition precedent to a grant of a new Option to such Optionee. Subject to the provisions of the Plan, such new Option may be an Incentive Stock Option or a Nonqualified Stock Option, and shall be exercisable at the price, during such period and on such other terms and conditions as are specified by the Committee at the time the new Option is granted.

12. Period During Which Awards May Be Granted.

Awards may be granted pursuant to the Plan from time to time within a period of ten (10) years from the date the Plan is adopted by the Board, or the date the Plan is approved by the shareholders of the Company, whichever is earlier, unless the Board shall terminate the Plan at an earlier date.

13. Nontransferability of Awards.

Except as otherwise determined by the Committee, awards granted under the Plan shall not be transferable otherwise than by will or by the laws of descent and distribution, and awards may be exercised or otherwise realized, during the lifetime of the Optionee, only by the Optionee or by his guardian or legal representative.

14. Approval of Shareholders.

The Plan shall take effect upon its adoption by the Board and shall terminate on the tenth anniversary of such date, but the Plan (and any grants of awards made prior to the shareholder approval mentioned herein) shall be subject to the approval of Company's shareholders, which approval must occur within twelve months of the date the Plan is adopted by the Board.

15. Agreement by Optionee Regarding Withholding Taxes.

If the Committee shall so require, as a condition of exercise of a Nonqualified Stock Option (a "Tax Event"), each Optionee who is not a Non-employee Director shall agree that no later than the date of the Tax Event, such Optionee will pay to the Company or make arrangements satisfactory to the Committee regarding payment of any federal, state or local taxes of any kind required by law to be withheld upon the Tax Event. Alternatively, the Committee may provide that such an Optionee may elect, to the extent permitted or required by law, to have the Company deduct federal, state and local taxes of any kind required by law to be withheld upon the Tax Event from any payment of any kind due the Optionee. The withholding obligation may be satisfied by the withholding or delivery of Common Shares. Any decision made by the Committee under this Section 15 shall be made in its sole discretion.

16. Amendment and Termination of the Plan.

The Board at any time and from time to time may suspend, terminate, modify or amend the Plan; provided, however, that, unless otherwise determined by the Board, an amendment that requires stockholder approval in order for the Plan to continue to comply with Rule 16b-3, Section 162(m) of the Code or any other law, regulation or stock exchange requirement shall not be effective unless approved by the requisite vote of shareholders. Except as provided in Section 10 (a) hereof, no suspension, termination, modification or amendment of the Plan may adversely affect any award previously granted, unless the written consent of the Optionee is obtained.

17. Rights as a Shareholder.

An Optionee or a transferee of an award shall have no rights as a shareholder with respect to any shares covered by the award until the date of the issuance of a stock certificate to him for such shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 10(a) hereof.

18. No Rights to Employment or Service as a Director.

Nothing in the Plan or in any award granted or Agreement entered into pursuant hereto shall confer upon any Optionee the right to continue in the employ of the Company or any Subsidiary or as a member of the Board or to be entitled to any remuneration or benefits not set forth in the Plan or such Agreement or to interfere with or limit in any way the right of the Company or any such Subsidiary to terminate such Optionee's employment or service. Awards granted under the Plan shall not be affected by any change in duties or position of an employee Optionee as long as such Optionee continues to be employed by the Company or any Subsidiary.

19. Beneficiary.

An Optionee may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Optionee, the executor or administrator of the Optionee's estate shall be deemed to be the Optionee's beneficiary.

20. Governing Law.

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of New York.

EXHIBIT 31.1

CERTIFICATION

I, Assaf Ran, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of DAG Media, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Paragraph omitted in accordance with SEC instructions contained in SEC Release 34-47986]
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2005

/s/ Assaf Ran

Assaf Ran

President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Yael Shimor-Golan, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of DAG Media, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Paragraph omitted in accordance with SEC instructions contained in SEC Release 34-47986]
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2005

/s/ Yael Shimor-Golan

Yael Shimor-Golan
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-QSB of DAG Media, Inc. (the "Company") for the period ending June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Assaf Ran, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, that:

- (1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Assaf Ran**

Assaf Ran

President and Chief Executive Officer

July 29, 2005

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

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-QSB of DAG Media, Inc. (the "Company") for the period ending June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yael Shimor-Golan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, that:

- (1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Yael Shimor-Golan**

*Yael Shimor-Golan
Chief Financial Officer*

July 29, 2005

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

End of Filing