

QUARTERLY REPORT ON FORM 10QSB FOR THE PERIOD ENDED JUNE 30, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

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

For the transition period from _____ to _____

Commission File No.000-31355

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

(Name of small business issuer in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

81-0438093
(I.R.S. Employer Identification No.)

124 North First Street, Louisville, KY 40202
(Address of principal executive offices)

502-379-4788
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 10, 2008, Beacon Enterprise Solutions Group, Inc. had a total of 11,280,521 shares of common stock issued and outstanding.

Transitional small business disclosure format: Yes ☐ No ☒

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Beacon Enterprise Solutions Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet

	June 30, 2008
	(Unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 126,827
Accounts receivable, net	1,398,260
Inventory, net	618,256
Prepaid expenses and other current assets	55,198
	<hr/>
Total current assets	2,198,541
Property and equipment, net	251,238
Goodwill	2,750,696
Other intangible assets, net	3,962,818
Inventory, less current portion	99,158
Security deposits	27,892
	<hr/>
Total assets	\$ 9,290,343
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LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Line of credit	\$ 200,000
Bridge notes (net of \$152,769 of discounts)	547,231
Current portion of long-term debt	669,495
Current portion of capital lease obligations	8,867
Accounts payable	1,439,407
Accrued expenses	741,304
Customer deposits	144,225
	<hr/>
Total current liabilities	3,750,529
Long-term debt, less current portion	1,532,999
Capital lease obligations, less current portion	7,241
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Total liabilities	5,290,769
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Stockholders' equity	
Preferred Stock: \$0.01 par value, 5,000,000 shares authorized, 4,800 shares outstanding in the following classes:	
Series A convertible preferred stock, \$1,000 stated value, 4,500 shares authorized, 4,000 shares issued and outstanding, (liquidation preference \$5,118,630)	4,000,000
Series A-1 convertible preferred stock, \$1,000 stated value, 1,000 shares authorized, 800 shares issued and outstanding, (liquidation preference \$1,006,813)	800,000
Common stock, \$0.001 par value 70,000,000 shares authorized, 10,468,021 shares issued and outstanding	10,468
Additional paid in capital	6,538,354
Accumulated deficit	(7,349,248)
	<hr/>
Total stockholders' equity	3,999,574
	<hr/>
Total liabilities and stockholders' equity	\$ 9,290,343
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The accompanying notes are an integral part of these condensed consolidated financial statements.

Beacon Enterprise Solutions Group, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations
(Unaudited)

**For the three
months ended
June 30,
2008**

**For the nine
months ended
June 30,
2008**

agreement							78,033		78,033
Compensatory warrants							219,000		219,000
Series A Preferred Stock contractual dividends								(94,904)	(94,904)
Series A-1 Preferred Stock contractual dividends								(5,450)	(5,450)
Issuance of Stock Options							6,662		6,662
Net loss								(3,159,705)	(3,159,705)
Balance at June 30, 2008 (unaudited)	4,000.0	\$4,000,000	\$800	\$800,000	10,468,021	\$10,468	\$6,538,354	\$(7,349,248)	\$ 3,999,574

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

Beacon Enterprise Solutions Group, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows
(Unaudited)

	For the Nine Months Ended June 30, 2008
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Net loss	\$ (3,159,705)
Adjustments to reconcile net loss to net cash used in operating activities:	
Change in reserve for obsolete inventory	20,000
Change in reserve for doubtful accounts	50,000
Depreciation and Amortization	386,005
Non-cash interest	170,904
Share based payments	447,255
Changes in operating assets and liabilities:	
Accounts receivable	(759,259)
Inventory	(98,004)
Prepaid expenses and other current assets	22,238
Accounts payable	570,351
Customer deposits	(193,408)
Other assets	110,015
Accrued expenses	589,136
NET CASH USED IN OPERATING ACTIVITIES	(1,844,472)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Capital expenditures	(69,244)
Acquisition of businesses, net of acquired cash	(2,186,611)
NET CASH USED IN INVESTING ACTIVITIES	(2,255,855)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Proceeds from issuances of bridge notes	422,000
Proceeds from sale of preferred stock, net of offering costs	3,876,460
Repayment of line of credit	(250,000)
Proceeds from line of credit	200,000
Proceeds from note payable	600,000
Payments of notes payable	(675,205)
Payments of capital lease obligations	(8,312)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,164,943
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,616
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</u>	62,211
<u>CASH AND CASH EQUIVALENTS - END OF PERIOD</u>	\$ 126,827
<u>Supplemental disclosures</u>	
Cash paid for:	
Interest	\$ 85,368
Income taxes	\$ -

Acquisition of businesses	
Accounts receivable	\$ 689,001
Inventory	639,410
Prepaid expenses and other current assets	55,283
Property and equipment	226,743
Goodwill	2,750,696
Customer relationships	3,704,074
Non-compete agreements	500,000
Tradenames	100,000
Security deposits	27,591
Line of credit	(250,000)
Accounts payable and accrued expenses	(832,132)
Customer deposits	(292,692)
Long-term debt assumed	(354,199)
Capital lease obligations	(25,490)
Less: common stock issued as purchase consideration	(2,741,250)
Less: acquisition notes issued to sellers of acquired businesses	(1,973,500)
Less: accrued acquisition costs	(36,924)
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Cash used in acquisition of businesses (net of \$148,283 of cash acquired)	\$ 2,186,611
	<hr/>
Bridge note warrants	\$ 72,000
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The accompanying notes are an integral part of these condensed consolidated financial statements.

BEACON ENTERPRISE SOLUTIONS GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 – THE COMPANY

Organization

The condensed consolidated financial statements presented are those of Beacon Enterprise Solutions Group, Inc. (“Beacon” or the “Company”), which was originally formed in the State of Indiana on June 6, 2007 and combined with Suncrest Global Energy Corp. (“Suncrest” or the “Company”), a Nevada corporation, on December 20, 2007, as described in “Share Exchange Transaction,” below.

The Company is a unified, single source information technology and telecommunications enterprise that provides professional services and sales of information technology and telecommunications products to mid-market commercial businesses, state and local government agencies, and educational institutions.

The Company was formed for the purpose of acquiring and consolidating regional telecom businesses and service platforms into an integrated, national provider of high quality voice, data and VOIP communications to small and medium-sized business enterprises (the “SME Market”). The Company's business strategy is to acquire companies that will allow it to serve the SME Market on an integrated, turn-key basis from system design, procurement and installation through all aspects of providing network service and designing and hosting network applications.

The Company was a development stage enterprise with no operating history until completing the Share Exchange Transaction described below and simultaneous business combinations and Private Placement financing transaction described in Notes 4 and 14, respectively. Accordingly, there is no comparative financial information to present for the period of June 6, 2007 through June 30, 2007 because the Company had no activity during that 25 day period.

Share Exchange Transaction

Pursuant to a Securities Exchange Agreement, Suncrest acquired all of the outstanding no par value common stock of the Company on December 20, 2007. Suncrest, in exchange for such Company common stock issued 1 share of its own \$0.001 par value common stock directly to the Company’s stockholders for each share of their Company common stock (the “Share Exchange Transaction”). Following the Share Exchange Transaction, the existing stockholders of Suncrest retained 1,273,121 shares of Suncrest’s outstanding common stock and the Company’s stockholders became the majority owners of Suncrest. Suncrest was incorporated in the State of Nevada on May 22, 2000. The Company paid a \$305,000 fee to the stockholders of Suncrest in connection with completing the Share Exchange Transaction which is included as a component of selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

Prior to the Share Exchange Transaction, Suncrest was a publicly-traded corporation with nominal operations of its own. Pursuant to the merger, Suncrest was the surviving legal entity and Beacon was its wholly-owned subsidiary. Following the Share Exchange Transaction, Suncrest changed its name to Beacon Enterprise Solutions Group, Inc. on February 15, 2008 and continued to carry on the operations of Beacon. The Share Exchange Transaction has been accounted for as a reverse merger and recapitalization transaction in which the original Beacon is deemed to be the accounting acquirer. Accordingly, the accompanying condensed consolidated financial statements present the

historical financial position, results of operations and cash flows of Beacon, adjusted to give retroactive effect to the recapitalization of Beacon into Suncrest.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of June 30, 2008 and for the three and nine months then ended have been prepared in accordance with the accounting principles generally accepted in the United States of America for interim financial information and pursuant to the instructions to Form 10-QSB and Item 310(b) of Regulation S-B of the Securities and Exchange Commission ("SEC") and on the same basis as the annual audited consolidated financial statements. The unaudited condensed consolidated balance sheet as of June 30, 2008, condensed consolidated statement of operations for the three and nine months ended June 30, 2008 and the condensed consolidated statement of stockholders' (deficit) equity and cash flows for the nine months ended June 30, 2008 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the period presented. The Company was inactive during the period from inception on June 6, 2007 to June 30, 2007. The results for the three and nine months ended June 30, 2008 are not necessarily indicative of results to be expected for the year ending September 30, 2008 or for any future interim period. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Current Report on Form 8-K, which was filed with the SEC on December 28, 2007.

NOTE 2 - LIQUIDITY, FINANCIAL CONDITION AND MANAGEMENT'S PLANS

The Company incurred a net loss of approximately \$3,160,000 and used approximately \$1,844,000 of cash in its operating activities for the nine months ended June 30, 2008. At June 30, 2008, the Company's accumulated deficit amounted to approximately \$7,349,000. The Company had cash of \$126,827 and a working capital deficit of approximately \$1,552,000 at June 30, 2008.

On June 14, 2007, the Company signed a non-exclusive engagement agreement with Laidlaw & Company (UK) Ltd. ("Laidlaw") in which Laidlaw agreed to provide the Company with certain corporate finance advisory services including (i) raising capital under the Private Placement transaction described in Note 14; (ii) structuring the business combinations described in Note 4; and (iii) assisting the Company with identifying the public company in the Share Exchange Transaction described in Notes 1 and 14. These transactions were completed on December 20, 2007. The Company raised \$4.0 million in the private placement in three separate closings on December 20, 2007, January 15, 2008, and February 12, 2008. Pursuant to an oversubscription of the initial Private Placement, the Company closed on an additional \$0.8 million follow-on placement referred to herein as the "Series A-1 Placement," completed on March 11, 2008. The Company assumed approximately \$405,000 of debt obligations in which the sellers of one of the acquired businesses described in Note 4 triggered an acceleration of principal under certain change of ownership provisions that constituted an event of default under those agreements which was subsequently refinanced on March 14, 2008 (Note 10).

As described in Note 10, the Company received \$500,000 of gross proceeds (\$278,000 prior to September 30, 2007 and \$222,000 during the nine months ended June 30, 2008) under a bridge financing facility furnished by two of its founding stockholders, who are also members of the Board of Directors. The Company also raised \$200,000 of additional capital through the issuance of bridge notes in a second bridge note transaction completed on November 15, 2007. The Bridge Noteholders agreed to defer payment of the principal to April 1, 2009. As discussed in Note 12, the Company also has up to \$500,000 of additional equity financing available to it from one of its directors to draw as an additional source of funding if needed. In addition, the Company entered into a \$200,000 short-term note on June 11, 2008 due August 11, 2008 collateralized by certain fully executed contracts which was paid in full on its due date. On July 25, 2008, the Company engaged a registered broker-dealer in a private placement of Common Stock and Warrants and has raised \$650,000 as of August 19, 2008. The Company secured an additional \$2,500,000 put right from one of its directors on August 19, 2008 as an additional source of funding if needed.

The Company believes that its currently available cash, the equity financing arrangement and funds it expects to generate from operations will enable it to effectively operate its business and pay its debt obligations as they become due within the next twelve months through July 1, 2009. However, the Company will require additional capital in order to execute its current business plan. If the Company is unable to raise additional capital, it will be required to take various measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing its business development activities, suspending the pursuit of its business plan, and controlling overhead expenses. The Company cannot provide any assurance that it will raise additional capital. The Company has not secured any commitments for new financing at this time, nor can it provide any assurance that new financing will be available to it on acceptable terms, if at all.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Beacon Enterprise Solutions Group, Inc., a Nevada corporation (formerly Suncrest) and its wholly-owned subsidiaries the original Beacon formed in Indiana in June 2007 and BH Acquisition Corp. All significant inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Due to their short-term nature, cash equivalents, when they are carried, are carried at cost, which approximates fair value.

Revenue and Cost Recognition

The Company applies the revenue recognition principles set forth under the Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") 104 with respect to all of its revenue. Accordingly, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the vendor's fee is fixed or determinable, and (iv) collectability is probable.

Business Telephone System and Computer Hardware Product Revenues - The Company requires its hardware product sales to be supported by a written contract or other evidence of a sale transaction that clearly indicates the selling price to the customer, shipping terms, payment terms (generally 30 days) and refund policy, if any. Since the Company's hardware sales are supported by a contract or other document that clearly indicates the terms of the transaction, and the selling price is fixed at the time the sale is consummated, the Company records revenue on these sales at the time at which it receives a confirmation that the goods were tendered at their destination when shipped "FOB destination," or upon confirmation that shipment has occurred when shipped "FOB shipping point." For product sales, the Company applies the factors discussed in Emerging Issues Task Force ("EITF") issue 99-19 "Reporting Revenue Gross as a Principal vs. Net as an Agent," ("99-19"), in determining whether to recognize product revenues on a gross or net basis. In a substantial majority of these transactions, the Company acts as principal because; (i) it has latitude in establishing selling prices; (ii) takes title to the products; and (iii) has the risks and rewards of ownership, including the risk of loss for collection, delivery or returns. For these transactions, the Company recognizes revenues based on the gross amounts billed to customers.

Professional Services Revenue - The Company generally bills its customers for professional telecommunications and data consulting services based on hours of time spent on any given assignment at its hourly billing rates. As it relates to delivery of these services, the Company recognizes revenue under these arrangements as the work is completed and the customer has indicated their acceptance of services by approving a work order

milestone or completion order. For certain engagements, the Company enters into fixed bid contracts, and recognizes revenue as phases of the project are completed and accepted by the client. We generated approximately \$1,042,000 and \$2,075,000 of professional services revenue during the three and nine months ended June 30, 2008, respectively.

Time and Materials Contracts - Revenues from time and materials contracts, which generally include product sales and installation services, are billed when services are completed based on fixed labor rates plus materials. A substantial majority of the Company's services in this category are completed in short periods of time. The Company may, on occasion, enter into long-term contracts in which it would be appropriate to recognize revenue using long-term contract accounting such as the percentage of completion method. We generated revenues of approximately \$1,314,000 and \$1,964,000 from short-term time and materials contracts for the three and nine month periods ended June 30, 2008, respectively.

Maintenance Contracts - The Company, as a representative of various original equipment manufacturers, sells extended maintenance contracts on equipment it sells and also acts as an authorized servicing agent with respect to these contracts. These contracts, which are sold as separate agreements from other products and services, are individually negotiated and are generally not bundled with other products and services. For maintenance contract sales, the Company applies the factors discussed in "EITF" 99-19 in determining whether to recognize product revenues on a gross or net basis. Maintenance contracts are typically manufacturer maintenance contracts that are sold to the customer on a reseller basis. Based on an analysis of the factors set forth in EITF 99-19, the Company has determined that it acts as an agent in these situations, and therefore recognizes revenues on a net basis. The Company's share of revenue that it earns from originating these contracts is deferred and recognized over the life of the contract. Material and labor is charged for any service calls under these maintenance contracts on a time and materials basis which is charged to either the customer or manufacturer. We recognized approximately \$9,000 and \$35,000 of net maintenance revenue during both the three and nine months ended June 30, 2008.

Revenue of approximately \$166,000 was recorded related to certain contracts for which the customer requested the Company bill and hold materials to secure the price of the materials from further price increases related to inflation in commodities underlying the materials.

The Company accounts for sales taxes collected on behalf of government authorities using the net method. Pursuant to this method, sales taxes are included in the amounts receivable and a payable is recorded for the amounts due to the government agencies.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. These estimates and assumptions include valuing equity securities and derivative financial instruments issued as purchase consideration in business combinations and/or in financing transactions and in share based payment arrangements, accounts receivable reserves, inventory reserves, deferred taxes and related valuation allowances, allocating the purchase price to the fair values of assets acquired and liabilities assumed in business combinations (including separately identifiable intangible assets and goodwill) and estimating the fair values of long lived assets to assess whether impairment charges may be necessary.

Accounts Receivable

The Company has a policy of reserving for uncollectible accounts based on its best estimate of the amount of probable credit losses on its existing accounts receivable. Account balances deemed to be uncollectible are charged to the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. Historically, the companies acquired in the business combinations described in Note 4 have experienced minimal credit losses. We currently believe the majority of our receivables are collectible

due to the nature of the industry and the substantial customer deposits initially received at contract inception. We have established an allowance for doubtful accounts as an estimate of potential credit risk due to current market conditions.

Inventory

Inventory, which consists of business telephone systems and associated equipment and parts, is stated at the lower of cost (first-in, first-out method) or market. In the case of slow moving items, we may write down or calculate a reserve to reflect a reduced marketability for the item. The actual percentage reserved will depend on the total quantity on hand, its sales history, and expected near term sales prospects. When we discontinue sales of a product, we will write down the value of inventory to an amount equal to its estimated net realizable value less all applicable disposition costs. Slow moving items include spare parts for older phone systems that the Company uses to repair or upgrade customer phone systems. A portion of these items, which are stated at their net realizable value, are likely to be used after the next twelve months and are therefore presented as non-current inventory in the accompanying condensed consolidated balance sheet. A significant portion of the inventory on hand at June 30, 2008 was acquired in the business combinations completed on December 20, 2007. These goods are stated at the net realizable value established using the purchase method of accounting (Note 4) less a reserve for obsolete inventory as phone systems for which we carry spare parts are discontinued and diminish in the marketplace.

Property and Equipment

Property and equipment is stated at cost, including any cost to place the property into service, less accumulated depreciation. Depreciation is recorded over the estimated useful lives of the assets which currently range from 2 to 5 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalents. We maintain our cash accounts at high quality financial institutions with balances, at times, in excess of federally insured limits. As of June 30, 2008, we had no deposits in excess of federally insured limits. Management believes that the financial institutions that hold our deposits are financially sound and therefore pose minimal credit risk.

Start Up Costs

All expenses incurred in connection with our formation and related start up activities have been expensed as incurred and are included in selling, general and administrative expenses in the accompanying condensed consolidated financial statements. Start up costs, which principally include professional fees and other administrative costs amounted to approximately \$127,000 for the three and nine months ended June 30, 2008 and are included in selling general and administrative expense in the accompanying condensed consolidated statement of operations.

Goodwill and Intangible Assets

The Company accounts for goodwill and intangible assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142). SFAS 142 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. SFAS 142, requires that goodwill be tested for impairment at the reporting unit level (operating

segment or one level below an operating segment) on an annual basis and between annual tests when circumstances indicate that the recoverability of the carrying amount of goodwill may be in doubt. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. The Company operates a single reporting unit. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

The Company's amortizable intangible assets include customer relationships, covenants not to compete and tradenames. These costs are being amortized using the straight-line method over their estimated useful lives. The estimated fair values and useful lives of the customer relationships, non-compete agreements and tradenames are preliminary as of June 30, 2008 as established by the Company using the purchase method of accounting. These amounts will be adjusted when the Company completes its valuation.

In accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company reviews the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of long-lived assets is measured by comparison of its carrying amount to the undiscounted cash flows that the asset or asset group is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value.

Preferred Stock

We apply the guidance enumerated in SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" and EITF Topic D-98 "Classification and Measurement of Redeemable Securities," when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability

instruments and are measured at fair value in accordance with SFAS 150. All other issuances of preferred stock are subject to the classification and measurement principles of EITF Topic D-98. Accordingly we classify conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control, as temporary equity. At all other times, we classify our preferred shares in stockholders' equity. Our preferred shares do not feature any redemption rights within the holders control or conditional redemption features not within our control as of June 30, 2008. Accordingly all issuances of preferred stock are presented as a component of condensed consolidated stockholders' (deficit) equity.

Convertible Instruments

We evaluate and account for conversion options embedded in convertible instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") and EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19").

SFAS 133 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments in accordance with EITF 00-19. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of SFAS

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133. SFAS 133 and EITF 00-19 also provide an exception to this rule when the host instrument is deemed to be conventional (as that term is described in the implementation guidance to SFAS 133 and further clarified in EITF 05-2, "The Meaning of "Conventional Convertible Debt Instrument" in Issue No. 00-19").

We account for convertible instruments (when we have determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with the provisions of EITF 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features" ("EITF 98-5") and EITF 00-27, "Application of EITF 98-5 to Certain Convertible Instruments" ("EITF 00-27"). Accordingly, we record when necessary discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption. We also record when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred shares.

We evaluated the conversion option featured in the Bridge Financing Facility and Bridge Notes that are more fully described in Note 10. These conversion options provide the noteholders, of whom three are also founding stockholders and/or directors of Beacon, with the right to convert any advances outstanding under the facility, into shares of our common stock at anytime upon or after the completion of the entire Private Placement described in Note 14. The conversion options embedded in these notes would not have been exercisable unless and until we raised the full \$4,000,000 of proceeds stipulated in the Private Placement that was commenced during the three months ended December 31, 2007 and completed during the nine months ended June 30, 2008.

We had deemed the completion of the entire Private Placement to be an event that was not within our control. As described in Note 10, we completed our Private Placement on February 12, 2008 at which time the conversion options embedded in the Notes became exercisable at the option of the holders. Accordingly, we recorded a \$72,000 discount to the face value of the Bridge Notes based on the relative fair values of the Bridge Warrants and the Notes measured as of the commitment date on November 15, 2007 and an additional \$128,000 discount related to the beneficial conversion feature that is being accreted to interest expense over the contractual term of the Notes.

Common Stock Purchase Warrants and Other Derivative Financial Instruments

We account for the issuance of common stock purchase warrants and other free standing derivative financial instruments in accordance with the provisions of EITF 00-19. Based on the provisions of EITF 00-19, we classify as equity any contracts that (i) require physical settlement or net-share settlement or (ii) gives us a choice of net-cash settlement or settlement in our own shares (physical settlement or net-share settlement). We classify as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside our control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). We assess classification of our common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Our free standing derivatives consist of warrants to purchase common stock that were issued to three founding stockholders/directors and one independent qualified investor in connection with the Bridge Financing Facility and Bridge Notes described in Note 10, warrants issued pursuant to equity financing arrangements described in Note 12, warrants issued to the Series A and A-1 Preferred Stock stockholders, and warrants issued to the placement agent and its affiliates in connection with the Private Placements described in Note 14. We evaluated the common stock purchase warrants to assess their proper classification in the balance sheet as of June 30, 2008 using

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the applicable classification criteria enumerated in EITF 00-19. We determined that the common stock purchase warrants do not feature any characteristics permitting net cash settlement at the option of the holders. Accordingly, these instruments have been classified in

stockholders' equity in the accompanying condensed consolidated balance sheet as of June 30, 2008.

Share-Based Payments

We account for stock-based compensation using Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Accounting for Stock-Based Compensation" ("SFAS 123(R)", as amended, which results in the recognition of compensation expense for stock-based compensation. The Company adopted SFAS 123(R) using the modified prospective method, which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model. The recognized expense is net of expected forfeitures and restatement of prior periods is not required. The fair value of restricted stock is determined based on the number of shares granted and the fair value of the Company's common stock on date of grant.

Income Taxes

We account for income taxes under SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. SFAS 109 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. Furthermore, SFAS 109 provides that it is difficult to conclude that a valuation allowance is not needed when there is negative evidence such as cumulative losses in recent years. Therefore, cumulative losses weigh heavily in the overall assessment. Accordingly, we have recorded a full valuation allowance against our net deferred tax assets. In addition, we expect to provide a full valuation allowance on future tax benefits until we can sustain a level of profitability that demonstrates our ability to utilize the assets, or other significant positive evidence arises that suggests our ability to utilize such assets. We will continue to re-assess our reserves on deferred income tax assets in future periods on a quarterly basis.

Effective June 6, 2007 (date of inception), we adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") – an interpretation of FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on the derecognition of income tax liabilities, classification of interest and penalties on income taxes, and accounting for uncertain tax positions in interim period financial statements. Our policy is to record interest and penalties on uncertain tax provisions as a component of our income tax expense.

As described in Note 15, we completed our preliminary assessment of uncertain tax positions in accordance with FIN 48 during the period of June 6, 2007 through September 30, 2007 and for the nine months June 30, 2008, including the effects of the Share Exchange Transaction described in Note 1 and business combinations completed as described in Note 4. Based on this preliminary assessment, we have determined that we have no material uncertain income tax positions requiring recognition or disclosure in accordance with FIN 48.

Net Loss Per Share

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Net loss per share is presented in accordance with SFAS No. 128 "Earnings Per Share." ("SFAS 128") Under SFAS 128, basic net loss per share is computed by dividing net loss per share available to common stockholders by the weighted average shares of common stock outstanding for the period and excludes any potentially dilutive securities. Diluted earnings per share reflects the potential dilution that would occur upon the exercise or conversion of all dilutive securities into common stock. The computation of loss per share for the three and six month periods ended June 30, 2008 excludes potentially dilutive securities because their inclusion would be anti-dilutive.

Shares of common stock issuable upon conversion or exercise of potentially dilutive securities at June 30, 2008 are as follows:

	Stock Options and Warrants	Common Stock Equivalents	Total Common Stock Equivalents
Series A Convertible Preferred Stock	2,666,666	5,333,333	7,999,999
Series A-1 Convertible Preferred Stock	533,333	1,066,667	1,600,000
Placement Agent	1,248,000		1,248,000
Bridge Financings	1,211,000	1,166,666	2,377,666
Compensatory	300,000		300,000
Equity Financing Arrangements	83,333		83,333
Employee Stock Options	120,900		120,900
	6,163,232	7,566,666	13,729,898

The table above includes 266,000 contingently exercisable common stock purchase warrants issued to the bridge financing participants (Note 10).

Fair Value of Financial Instruments

The carrying amounts reported in the financial statements for cash, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued expenses and other current liabilities approximate fair value based on the short-term maturity of these instruments. The carrying amounts of the bridge notes, long-term debt and capital lease obligations approximate fair value because the contractual interest rates or the effective yields of such instruments, which includes the effects of contractual interest rates taken together with the concurrent issuance of common stock purchase warrants, are consistent with current market rates of interest for instruments of comparable credit risk.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a market based framework for measuring fair value and expands disclosure of fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 is not expected to have a material effect on the Company's consolidated financial statements.

In February 2008, SFAS 157 was amended by FSP 157-2, "Effective Date of FASB Statement No. 157: Fair Value Measurements" ("FSP 157-2"). As such, SFAS 157 (as amended) is partially effective for measurements and disclosures of financial assets and liabilities for fiscal years beginning after November 15, 2007 and is fully effective for measurement and disclosure provisions on all

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applicable assets and liabilities for fiscal years beginning after November 15, 2008. We are currently evaluating the impact that FSP 157-2 will have on our condensed consolidated financial statements.

On February 15, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). The guidance in SFAS 159 "allows" reporting entities to "choose" to measure many financial instruments and certain other items at fair value. The objective underlying the development of this literature is to improve financial reporting by providing reporting entities with the opportunity to reduce volatility in reported earnings that results from measuring related assets and liabilities differently without having to apply complex hedge accounting provisions, using the guidance in SFAS 133, as amended. The provisions of SFAS 159 are applicable to all reporting entities and are effective as of the beginning of the first fiscal year that begins subsequent to November 15, 2007. The adoption of SFAS 159 is not expected to have a material effect on the Company's condensed consolidated financial statements.

In June 2007, the EITF reached a consensus on EITF Issue No. 06-11, "Accounting for Income Tax Benefits on Dividends on Share-Based Payment Awards" ("EITF 06-11"). EITF 06-11 addresses share-based payment arrangements with dividend protection features that entitle employees to receive (a) dividends on equity-classified nonvested shares, (b) dividend equivalents on equity-classified nonvested share units, or (c) payments equal to the dividends paid on the underlying shares while an equity-classified share option is outstanding, when those dividends or dividend equivalents are charged to retained earnings under SFAS 123R and result in an income tax deduction for the employer. A realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings are paid to employees for equity-classified nonvested shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase in additional paid-in capital. The amount recognized in additional paid-in capital for the realized income tax benefit from dividends on those awards should be included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payments for fiscal years beginning after December 15, 2007. The adoption of this pronouncement is not expected to have a material impact on the condensed consolidated financial statements.

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141R, "Business Combinations" ("SFAS 141R"), which replaces SFAS No. 141, "Business Combinations." SFAS 141R establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including noncontrolling interests, contingent consideration, and certain acquired contingencies. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. SFAS 141R will be applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141R will have an impact on the accounting for any businesses acquired after the effective date of this pronouncement.

In December 2007, the SEC staff issued SAB No. 110 ("SAB 110"), "Share-Based Payment," which amends SAB 107, "Share-Based Payment," to permit public companies, under certain circumstances, to use the simplified method in SAB 107 for employee option grants after December 31, 2007. Use of the simplified method after December 2007 is permitted only for companies whose historical data about their employees' exercise behavior does not provide a reasonable basis for estimating the expected term of the options. The adoption of this pronouncement did not have a material effect on the Company's condensed consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary (previously referred to as minority interests). SFAS 160 also requires that a retained noncontrolling interest upon the deconsolidation of a subsidiary be initially measured at its

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fair value. Upon adoption of SFAS 160, the Company would be required to report any noncontrolling interests as a separate component of stockholders' equity. The Company would also be required to present any net income allocable to noncontrolling interests and net income attributable to the stockholders of the Company separately in its consolidated statements of operations. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 shall be applied prospectively. SFAS 160 will have an impact on the presentation and disclosure of the noncontrolling interests of any non wholly-owned

businesses after the effective date of this pronouncement.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 "Disclosure about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The guidance in SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is evaluating the impact of this pronouncement on the Company's condensed consolidated financial position, results of operations and cash flows.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." This Statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statement of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This Statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles," and is not anticipated to have any impact on the Company's condensed consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's condensed consolidated financial statements upon adoption.

NOTE 4 – BUSINESS COMBINATIONS

Advanced Data Systems, Inc.

On December 20, 2007, pursuant to an Asset Purchase Agreement (the "ADSnetcurve Agreement"), our acquisition of Advance Data Systems, Inc. ("ADSnetcurve") became effective. The ADSnetcurve Agreement was entered into between us, ADSnetcurve and the shareholders of ADSnetcurve, whereby the Company acquired substantially all of the assets and assumed certain of the liabilities of ADSnetcurve. Contemporaneously with the acquisition of ADSnetcurve, certain employees of ADSnetcurve entered into employment agreements with us, effective upon the closing of the acquisition.

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ADSnetcurve is a global information technology company that provides technology solutions. Specifically, these services include web application development, IT management and hosting services (for scalable infrastructure solutions); and support services. The Company acquired ADSnetcurve because the business provides the software development and support infrastructure that is needed to develop custom applications for clients' information technology systems, and to provide management, hosting and technical support services with respect to those systems.

The aggregate purchase price paid by Beacon, inclusive of direct transaction expenses, in connection with the ADSnetcurve acquisition amounted to \$1,727,548, including 700,000 shares of common stock valued at \$.85 per share, \$666,079 of cash, a \$300,000 secured promissory note ("ADS Note"), and estimated direct transaction expenses of \$172,345 net of \$5,876 of cash acquired.

The ADS Note (Note 10) has a term of 48 months, bearing interest at the prime rate, and is secured by the assets acquired by Beacon from ADSnetcurve. The ADS Note provides for monthly principal and interest payments of \$7,219. The ADS Note also contains a pre-payment provision such that, following the initial Private Placement, we are required to make additional principal payments equal to 3.2% of the net amount received by us from any equity capital raised, in excess of \$1,000,000, after the closing date until such time as the ADS Note has been paid in full. During the three and nine months ended June 30, 2008, the Company made payments of \$28,875 and \$50,531 on this note representing \$24,048 and \$40,385 of principal and \$4,807 and \$10,146 of interest, respectively.

If, from the closing date to the first anniversary of the closing of this transaction, the annual revenue generated by ADSnetcurve amounts to less than \$1,800,000, then the balance due under the ADS Note will be reduced by up to 60% of its principal amount but will not be less than \$120,000. As of June 30, 2008, Management believes that the ADS Note will not be adjusted to an amount less than \$300,000 and has therefore included the entire amount of the note in the purchase consideration.

The agreement was subject to a net working capital adjustment that was initially measured and later adjusted as of December 20, 2007. Based on the initial net working capital measurement, \$116,049 was escrowed on December 20, 2007. On January 15, 2008, based on the final determination of net working capital, \$66,079 was released to the sellers (included in cash consideration above) and the remaining balance was returned to the Company from escrow.

Beginning December 21, 2007, the day immediately following the effective date of the transaction, the financial results of ADSnetcurve were consolidated with those of our business. The acquisition was accounted for under the purchase method of accounting, whereby a preliminary valuation of the fair values of the acquired assets and assumed liabilities of the acquired business was performed as of December 20, 2007. The excess of the purchase price over net assets acquired amounted to \$614,384 and was recorded as goodwill. Other separately identifiable intangibles consisting of customer relationships, non-compete agreements and tradenames amounted to an aggregate of \$962,027. The preliminary estimates of fair value will be adjusted as necessary when the final valuation is completed.

Bell-Haun Systems Inc.

On December 20, 2007, pursuant to an Agreement and Plan of Merger (the "Bell-Haun Agreement"), our acquisition of Bell-Haun Systems, Inc. ("Bell-Haun") became effective. The Bell-Haun Agreement was entered into between Beacon, BH Acquisition Sub, Inc. (the "Acquisition Sub"), Bell-Haun and Thomas Bell and Michael Haun, whereby, Bell-Haun merged with and into the Acquisition Sub, with

the Acquisition Sub surviving the merger.

Bell-Haun specializes in the installation, maintenance and ongoing support of business telephone systems, wireless services, voice messaging platforms and conference calling services to businesses throughout its region. The Company acquired Bell-Haun because it believes the business provides it with (i) a customer base and presence in the greater Columbus, Ohio region and (ii) an established presence in the market for products and services needed to design telecommunications infrastructures and implement such design plans and systems.

The aggregate purchase price paid by Beacon, inclusive of direct transaction expenses, in connection with the Bell-Haun acquisition amounted to \$794,100, including 500,000 shares of common stock valued at \$.85 per share, \$155,048 of cash, notes payable (the "Bell-Haun Notes") in the amount \$119,000, and future payments in the amount of \$50,000 related to non-compete agreements that are included in the direct transaction costs of \$95,052.

The Bell-Haun Notes are payable over 60 months in installments of \$2,413 including interest at 8% per annum with the first payment due and payable on January 19, 2009 (Note 10).

The Bell-Haun Agreement also provides for the payment of up to \$480,374 of additional purchase consideration upon the attainment of certain earnings milestones based on gross profit earned over the twelve months following the anniversary of the closing. These payments are being accounted for as contingent consideration that would be recorded as an increase to goodwill at December 20, 2008, the measurement date of the milestone if such milestones are attained.

Beginning December 21, 2007, the day immediately following the effective date of the transaction, the financial results of Bell-Haun Systems Inc. were consolidated with those of our business. The acquisition was accounted for under the purchase method of accounting, whereby a preliminary valuation of the fair values of the assets acquired and liabilities assumed was performed as of December 20, 2007. The aggregate amount of the purchase price which amounted to \$794,100 plus the amount of the net liabilities assumed which amounted to \$599,520 (grand total of \$1,393,620), was allocated to goodwill and other intangible assets. Goodwill initially amounted to approximately \$520,000, subsequently adjusted to approximately \$416,000 as of June 30, 2008, upon continued review of the fair values of assets purchased and liabilities assumed, and separately identifiable intangibles consisting of customer relationships and non-compete agreements amounted to an aggregate of \$873,760. The preliminary estimates will be adjusted as necessary when the final valuation is completed.

As described in Notes 2 and 10, the Company assumed approximately \$405,000 of debt obligations in this transaction that were in default as of the closing due to certain change of control restrictions that the sellers breached upon the transfer of their shares to the Company. These debt obligations were refinanced on March 14, 2008.

CETCON, Inc.

On December 20, 2007, pursuant to an Asset Purchase Agreement (the "CETCON Agreement"), our acquisition of CETCON, Inc. ("CETCON") became effective. The CETCON Agreement was entered into between Beacon, CETCON and the shareholders of CETCON, whereby we acquired substantially all of the assets and assumed certain of the liabilities of CETCON. Contemporaneously with acquisition of CETCON, certain employees of CETCON entered into employment agreements with us, effective upon the closing of the acquisition.

CETCON provides engineering consulting services to commercial and government entities with respect to the design and implementation of their voice, data, video, and security infrastructures and systems. The Company acquired CETCON because the business provides systems design and engineering services that include evaluating information technology needs (including voice, data, video, and security needs) and also designs and engineers systems (i.e., hardware) and infrastructure (i.e., cabling and connectivity) to meet those needs at the enterprise level.

The aggregate purchase price paid by Beacon, inclusive of direct transaction expenses, in connection with the CETCON acquisition amounted to \$2,158,111, including 900,000 shares of common stock valued at \$.85 per share, \$700,000 of cash, a \$600,000 secured promissory note (the "CETCON Note") and direct transaction costs of \$235,519 net of cash acquired of \$142,407.

The CETCON Note (Note 10) has a term of 60 months, bearing interest at 8% APR. The CETCON Note provides for monthly principal and interest payments in the amount of \$12,166 and is secured by the assets acquired by us in this transaction (subordinate only to existing senior debt of \$194,947 assumed in the acquisition which was repaid from proceeds of a new credit facility entered into on March 14, 2008 (Note 10)). If, from the closing date to October 31, 2008, the revenue generated from CETCON is less than \$2,000,000, the principal amount of the CETCON Note will be reduced by the percentage of the actual revenue divided by \$2,000,000. We believe that the

minimum revenue of \$2,000,000 provided for in the CETCON Note for which there would be consideration payable is probable. Accordingly, the full principal amount of the CETCON Note is included in the purchase consideration paid to the seller as of the closing date of the acquisition. During the three and nine months ended June 30, 2008, the Company made payments of \$36,498 and \$72,995 on this note representing \$25,158 and \$49,819 of principal and \$11,340 and \$23,176 of interest, respectively.

We may prepay all or a portion of the outstanding principal amount and accrued interest under the CETCON Note. The CETCON Note contains a pre-payment provision such that, following the initial Private Placement, we are required to make additional principal payments equal to 3% of the net amount received by us from any equity capital raised, in excess of \$1,000,000, after the closing date until such time as the CETCON Note is paid in full.

Beginning December 21, 2007, the financial results of CETCON, Inc. were consolidated with those of our business. The acquisition was accounted for under the purchase method of accounting, whereby a preliminary valuation of the fair values of the assets acquired and liabilities assumed of the acquired business was performed as of December 20, 2007. The excess of the purchase price over net tangible

and separately identifiable intangible assets acquired amounted to \$944,220 and was recorded as goodwill. Other separately identifiable intangibles consisting of customer relationships and non-compete agreements amounted to an estimated aggregate fair value of \$1,127,887. The preliminary estimates will be adjusted as necessary when the final valuation is completed.

Strategic Communications, Inc.

On December 20, 2007, pursuant to an Asset Purchase Agreement (the "Strategic Agreement"), our acquisition of selected assets Strategic Communications, LLC ("Strategic") became effective. The Strategic Agreement was entered into between Beacon, Strategic and the members of Strategic, whereby we acquired substantially all of the assets and assumed certain of the liabilities of Strategic. Contemporaneously with the Strategic Agreement, Beacon, RFK Communications, LLC ("RFK") (co- owner of Strategic Communications, Inc.) and the members of RFK entered into an Asset Purchase Agreement, whereby we acquired substantially all of the assets and assumed certain of the liabilities of RFK.

Strategic was a voice, video and data communication systems solutions provider. Strategic specifically provided procurement for carrier services (including voice, video, data, Internet, local and long distance telephone applications), infrastructure services (including cabling and equipment); routers, servers and hubs; telephone systems, voicemail, general technology products and maintenance support. The Company acquired certain Strategic assets because it believes the business provides it with a customer base and presence in the greater Louisville, Kentucky region and an established presence in the market for products and services needed to design and implement these types of systems.

The aggregate purchase price paid by Beacon, inclusive of direct transaction expenses, in connection with the Strategic acquisition amounted to \$2,206,519, including 1,125,000 shares of common stock valued at \$.85 per share, \$220,500 of cash, a \$562,500 secured promissory note (the "Strategic Secured Note"), a \$342,000 promissory note (the "Strategic Escrow Note") and direct transaction expenses of \$125,269.

We delivered the \$342,000 Strategic Escrow Note (Note 10) and a stock certificate for 200,000 shares of the common stock conveyed to the members of Strategic as purchase consideration to be held in escrow (the "Strategic Escrow Shares") for the purpose of securing the indemnification obligations of members of Strategic. The specific indemnity secures a commitment on the part of the sellers in this transaction to hold Beacon harmless from its previously existing liabilities, including a \$313,000 tax delinquency, since Beacon agreed to assume only \$500,000 of liabilities in the transaction. The escrow agreement will terminate and the Strategic Escrow Note and Strategic Escrow Shares will be released to the sellers upon confirmation that Strategic has settled the liabilities specified under such indemnification. If necessary, the amounts escrowed can be used to settle such liabilities.

The Strategic Secured Note (Note 10) has a term of 60 months, bearing interest at 8% APR. The Strategic Secured Note provides for monthly principal and interest payments of \$11,405. If, from the closing date to the first anniversary of the closing of this transaction, the revenue generated from Strategic is less than \$4.5 million, the principal amount of the Strategic Secured Note will be reduced by percentage of the actual revenue divided by the minimum threshold. We believe that the minimum threshold provided for in the Strategic Secured Note for which there would be consideration payable is probable. Accordingly, the full principal amount of the Strategic Secured Note is included in the purchase consideration paid to the seller as of the closing date of the acquisition. We may prepay all or a portion of the outstanding principal amount and accrued interest under the Strategic Secured Note. During the three and nine months ended June 30, 2008, the Company made payments of \$34,216 and \$68,433 on this note representing \$23,585 and \$46,705 of principal and \$10,631 and \$21,728 of interest, respectively.

The Strategic Escrow Note bears interest at the Federal short term rate (4% as of June 30, 2008) and matures on the earlier of the final round of equity financing (as that term is defined in the Strategic Escrow Note) or December 31, 2008 (the "Maturity Date"), at which time the entire principal and accrued interest will be due and payable. The Company may prepay all or a portion of the outstanding principal amount and accrued interest under the Strategic Escrow Note. In addition, the Company has agreed to pay interest and penalties that Strategic incurs related to a tax liability it incurred prior to the acquisition. The acquired assets were encumbered by an aggregate of \$313,000 of tax liens as of the time of the closing of this transaction; however Strategic, as the seller in this transaction, is still the primary obligor of this liability and is still therefore primarily liable for payment of the entire balance, including penalties and interest. As described in Note 17, the remaining amount of the liens of approximately \$281,000 was settled on July 1, 2008 pursuant to an agreement by and among Strategic Communications LLC, Beacon, and the Internal Revenue Service. During the three and nine months ended June 30, 2008, the Company paid and settled \$81,383 and \$158,330 of obligations to taxing authorities on behalf of Strategic Communications, its former owners and principals to settle state and local tax liens, as well as payments to settle portions of outstanding federal tax obligations payable at the time of the acquisition.

Beginning December 21, 2007, the day immediately following the effective date of the transaction, the financial results of Strategic were consolidated with those of our business. The acquisition was accounted for under the purchase method of accounting, whereby a preliminary valuation of the fair values of the assets acquired and liabilities assumed was performed as of December 20, 2007. The excess of the purchase price over the net tangible and separately identifiable intangible assets acquired amounted to \$723,509 and was recorded as goodwill, subsequently adjusted to \$773,794 as of June 30, 2008, upon continued review of the estimate fair values of the assets purchased and liabilities assumed in the transaction. Other separately identifiable intangibles consisting of customer relationships, non-compete agreements and tradenames amounted to an estimated aggregate fair value of \$1,340,400. The preliminary estimates will be adjusted as necessary when the final valuation is completed.

Business Combination Accounting

The Company accounted for its acquisitions of ADSnetcurve, Bell-Haun, CETCON and Strategic using the purchase method of accounting prescribed under SFAS 141 "Business Combinations." Under the purchase method, the acquiring enterprise records any purchase consideration issued to the sellers of the acquired business at their fair values. The aggregate of the fair value of the purchase consideration plus any direct transaction expenses incurred by the acquiring enterprise is allocated to the assets acquired (including any

separately identifiable intangibles) and liabilities assumed based on their fair values at the date of acquisition. The excess of cost of the acquired entities over the fair values of assets acquired and liabilities assumed was recorded as goodwill. The results of operations for each of the acquired companies following the dates of each of the business combination (which was December 20, 2007) are included in the Company's consolidated results of operations for the three and nine month periods ended June 30, 2008. The Company evaluated each of the aforementioned transactions to identify the acquiring entity as required under SFAS 141 for business combinations effected through an exchange of equity interests. Based on such

evaluation the Company determined that it was the acquiring entity in each transaction (and cumulatively for all transactions) as (1) the larger portion of the relative voting rights in each of the acquired business and in the combined business as a whole was retained by the existing Beacon stockholders, (2) there are no significant minority interests or organized groups of interests carried over from the acquired entities that could exercise significant influence over the operating policies or management decisions of the combined entity, (3) the sellers in each of these transactions have no participation on the board of directors nor are they involved in any corporate governance functions of the combined entity and (4) a majority of the Senior Management positions in the combined entity, including those of the Chairman and Chief Executive Officer and the Chief Accounting Officer, were retained by officers of Beacon both prior and subsequent to the business combination. The following table provides a breakdown of the purchase prices of each of the acquired businesses including the fair value of purchase consideration issued to the sellers of the acquired business and direct transaction expenses incurred by the Company in connection with consummating these transactions:

	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Cash paid	\$ 666,079	\$ 155,048	\$ 700,000	\$ 220,500	\$ 1,741,627
Notes payable	300,000	119,000	600,000	904,500	1,923,500
Common stock issued	595,000	425,000	765,000	956,250	2,741,250
Direct acquisition costs (including \$36,924 of accrued but unpaid)	172,345	95,052	235,519	127,276	630,192
Net of cash acquired	(5,876)	-	(142,407)	-	(148,283)
	<u>\$ 1,727,548</u>	<u>\$ 794,100</u>	<u>\$ 2,158,111</u>	<u>\$ 2,208,526</u>	<u>\$ 6,888,285</u>

The fair value of common stock issued to the sellers as purchase consideration was determined to be \$.85 per share based on the selling prices of equity securities issued by the Company in the Private Placement Transaction described in Note 14. The fair value of note obligations issued to the sellers as purchase consideration is considered to be equal to their principal amounts because such notes feature interest rates that are deemed to be comparable for instruments of similar credit risk. Transaction expenses, which include legal fees and transaction advisory services directly related to the acquisitions amounted to approximately \$630,000. Such fees included legal, accounting and business broker fees paid in cash.

The Company also evaluated all post combination payments payable or potentially payable to the sellers of the acquired business as either contingent consideration or compensation under applicable employment agreements to determine their proper characterization in accordance with EITF 95-8 "Accounting for Contingent Consideration Issued in a Purchase Business Combination." The Company determined that potential contingent consideration payable to certain sellers of the acquired businesses upon the attainment of certain pre-defined financial milestones should be accounted for as additional purchase consideration because there are no future services required on the part of such sellers in order for them to be entitled to those payments. In addition, the Company deems these payments to be a component of the implied value of the acquired businesses for which payment would be made based on financial performance. Conversely, any payments to be made to certain sellers of the acquired businesses under their respective employment agreements are deemed to be compensation for post combination services because such payments, which management believes are comparable to amounts for similar employment services, require the continuation of post-combination employment services.

Preliminary Purchase Price Allocation

Under the purchase method of accounting, the total preliminary purchase price was allocated to each of the acquired entities, net tangible and identifiable intangible assets based on their estimated fair values as of December 20, 2007. The preliminary allocation of the purchase price for these four acquisitions is set forth below. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill.

	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Accounts receivable	\$ 151,208	\$ 71,335	\$ 466,458	\$ -	\$ 689,001
Inventory	-	168,065	-	471,345	639,410
Prepaid expenses and other current assets	13,430	34,522	5,516	1,815	55,283
Property and equipment	47,500	19,243	20,000	140,000	226,743
Goodwill	614,384	416,291	944,220	775,801	2,750,696
Customer relationships	812,027	773,760	927,887	1,190,400	3,704,074
Covenants not to compete	100,000	100,000	200,000	100,000	500,000
Tradenames	50,000	-	-	50,000	100,000
Security deposits	21,541	-	-	6,050	27,591

Line of credit obligation	-	(250,000)	-	-	(250,000)
Accounts payable and accrued liabilities	(50,091)	(284,950)	(5,491)	(491,600)	(832,132)
Customer deposits	(32,451)	(44,914)	(205,532)	(9,795)	(292,692)
Capital lease obligations	-	-	-	(25,490)	(25,490)
Long-term debt	-	(159,252)	(194,947)	-	(354,199)
Other acquisition liability	-	(50,000)	-	-	(50,000)
	<u>\$ 1,727,548</u>	<u>\$ 794,100</u>	<u>\$ 2,158,111</u>	<u>\$ 2,208,526</u>	<u>\$ 6,888,285</u>
Net tangible asset acquired (liabilities assumed)	<u>\$ 151,137</u>	<u>\$ (495,951)</u>	<u>\$ 86,004</u>	<u>\$ 92,325</u>	<u>\$ (166,485)</u>

The purchase price allocation is preliminary, based on management's estimates and has not yet been finalized. The Company considered its intention for future use of the acquired assets, analyses of the historical financial performance of each of the acquired businesses and estimates of future performance of each acquired businesses' products and services in deriving the fair values of the assets acquired and liabilities assumed. The Company's final determination of the purchase price allocation could result in changes to the amounts reflected in its preliminary estimate and estimated useful lives of acquired assets.

Pro-Forma Financial Information

The unaudited financial information in the table below summarizes the combined results of operations of the Company and ADSnetcurve, Bell-Haun, CETCON and Strategic, on a pro-forma basis, as if the companies had been combined as of the beginning of each of the periods presented.

The unaudited pro-forma financial information for the nine months ended June 30, 2008 combines the historical results of Beacon for the nine months ended June 30, 2008 and the historical results of ADSnetcurve, Bell-Haun, CETCON and Strategic for the same period. The acquisitions of the businesses were completed on December 20, 2007. Accordingly, the results of the acquired companies were fully consolidated with those of the Company for the three months ended June 30, 2008. The unaudited pro-forma financial results for the three and nine months ended June 30, 2007 combines the historical results of ADSnetcurve, Bell-Haun, CETCON and Strategic with those of the Company as if these acquisitions had been completed as of the beginning of each of the periods presented. The pro-forma weighted average number of shares outstanding also assumes that the Share Exchange Transaction and Series A Private Placement described in Note 1 was completed as of the beginning of each of the periods presented.

	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2007
	(Unaudited)	(Unaudited)
Net sales	\$ 2,128,004	\$ 6,358,507
Loss from operations	\$ 24,804	\$ 36,322
Net loss available to common stockholders	\$ (17,458)	\$ (48,202)
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.00)
Pro-forma weighted average shares outstanding	10,468,121	10,468,121

The unaudited pro-forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions of these businesses had taken place at the beginning of each of the periods presented.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable amounted to approximately \$1,398,000 consisting of gross receivables of approximately \$1,448,000 less an allowance for doubtful accounts of \$50,000 as of June 30, 2008. The Company and its predecessor businesses have historically experienced minimal credit losses. However, credit risk has increased due to market conditions and an allowance for doubtful accounts has been established as an estimate of potential losses due to market conditions.

NOTE 6 – INVENTORY, NET

Inventory consists of the following as of June 30, 2008:

Inventory (principally parts and system components)	\$ 737,414
Less: reserve for obsolete inventory	\$ (20,000)
Less: current portion	(618,256)
	<u>99,158</u>
Inventory, non-current	<u>\$ 99,158</u>

A substantial amount of the inventory includes parts and system components for phone systems that the Company uses to fulfill repair,

maintenance services and/or upgrade requirements. A portion of these items, which are stated at their net realizable value, are likely to be used after the next twelve months and are therefore presented as non-current inventory in the accompanying balance sheet. A significant portion of the inventory on hand at June 30, 2008 was acquired in the business combinations completed on December 20, 2007, which are stated at net realizable value using the purchase method of accounting. The Company has established a reserve for obsolete inventory as phone systems for which we carry spare parts are discontinued and diminish in the marketplace.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of June 30, 2008:

Computer equipment	\$	143,489
Vehicles		80,934
Furniture and fixtures		45,000
Leasehold Improvements		14,339
Software		12,225
		<hr/>
		295,987
Less: accumulated depreciation		(44,749)
		<hr/>
	\$	251,238
		<hr/>

Property and equipment includes \$20,541 of vehicles financed under capital lease obligations that the Company assumed in its acquisitions of Strategic Communications. Depreciation and amortization amounted \$23,571 and \$44,749 for the three and nine months ended June 30, 2008.

NOTE 8 - INTANGIBLE ASSETS, NET

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The following table is a summary of the intangible assets acquired in business combinations as described in Note 4:

	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Goodwill	\$ 614,384	\$ 416,291	\$ 944,220	\$ 775,801	\$ 2,750,696
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Customer relationships	812,027	773,760	927,887	1,190,400	3,704,074
Contracts not to compete	100,000	100,000	200,000	100,000	500,000
Tradenames	50,000	-	-	50,000	100,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	962,027	873,760	1,127,887	1,340,400	4,304,074
Less: Accumulated amortization	(75,244)	(67,878)	(102,728)	(95,406)	(341,256)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Intangibles, net	886,783	805,882	1,025,159	1,244,994	3,962,818
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The above noted intangible assets are being amortized on a straight-line basis. Customer relationships are being amortized over a 10 year useful life, contracts not to compete are being amortized over a 2 year useful life and tradenames are being amortized over a 5 year useful life, based on the estimated economic benefit.

The following is a summary of amortization expense for the next five years and thereafter:

2008	\$ 320,205
2009	632,188
2010	390,407
2011	390,407
2012	389,750
Thereafter	1,839,861
	<hr/>
	\$3,962,818
	<hr/>

The values of the goodwill and intangible assets and the estimated useful lives are preliminary based on estimates made by management using the purchase method of accounting described in Note 4. These amounts are subject to change upon the final determination of the purchase price allocations described in Note 4.

NOTE 9 – ACCRUED EXPENSES

Accrued expenses consist of the following at June 30, 2008:

Accrued compensation	\$195,101
Accrued purchases	162,313
Accrued dividends	100,353
Accrued sales taxes	60,553
Accrued non-competes	50,000
Accrued expense reimbursements	46,921
Accrued interest	35,918
Accrued other	90,145
	<hr/>
	\$741,304

NOTE 10 – NOTES PAYABLE AND LONG TERM DEBT

Bridge Financing Transactions

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On July 16, 2007, the Company entered into a \$500,000 Bridge Financing Facility provided by two of its founding stockholders who are also directors of the Company. The terms of the facility provide for the founding stockholders/directors to make up to \$500,000 of advances to the Company on a discretionary basis at any time prior to the closing of an equity offering in which gross proceeds are at least \$4,000,000 (the “Qualified Offering”). As of June 30, 2008, the entire facility had been drawn down of which \$278,000 of the proceeds were received prior to September 30, 2007 and the remaining \$222,000 of proceeds were received during the three months ended December 31, 2007.

Advances under this facility bear interest at the Prime Rate (5.00% as of June 30, 2008) per annum and were to originally mature (i) in the event a Qualified Offering did not occur on or prior to December 31, 2007, on December 31, 2007; or (ii) in the event a Qualified Offering occurred prior to December 31, 2007, on demand at any time following the completion of the offering but not more than twenty-four (24) months after the date of the closing of the Qualified Offering. Certain warrants described below that we issued to the note holders would vest for each month repayment is deferred. In December 2007, the Company was informed that only a portion of the Private Placement described in Note 14 (which would have satisfied the requirement to complete a Qualified Offering) would be completed by December 31, 2007. Based on this development, the note holders agreed, on December 28, 2007, not to demand repayment of the notes before the completion of the Private Placement or December 31, 2008, whichever came first. On May 15, 2008, the noteholders agreed not to demand repayment of the notes before the completion of an offering in which the Company raises at least \$3 million of additional equity financing or April 1, 2009, whichever comes first. Accordingly, the notes are included in current liabilities at June 30, 2008.

As of June 30, 2008, the notes are convertible into our common stock at a conversion price equal to \$.60 per share, or into the number and type of such equity securities into which the shares otherwise issuable upon such conversion are converted or exchanged under the terms of a merger, exchange or reorganization consummated by the Company prior to or at the time of a Qualified Offering. Unpaid principal is payable in cash or stock at the option of the holder if the conversion option is effected and all unpaid accrued interest is payable in cash only.

We evaluated the conversion option stipulated in the Bridge Financing Facility to determine whether it requires immediate accounting recognition and whether under SFAS 133, such conversion feature should be bifurcated from its host instrument and accounted for as a free standing derivative in accordance with EITF 00-19. In performing this analysis, we determined that the conversion option, which is fixed and therefore conventional under EITF 05-2, provides the founding stockholders/directors with the right to convert any advances outstanding under the Bridge Financing Facility into shares of our common stock at anytime upon or after the completion of a Qualified Offering. The Private Placement was completed on February 12, 2008. The conversion option was out-of-the-money, having a fair value of common stock \$.002 per share (as compared to an exercise price of \$0.60 per share) as of the commitment date of July 16, 2007 and therefore is not considered beneficial.

In connection with the issuance of the Bridge Financing Facility, we issued warrants to purchase shares of our common stock (the “Warrants”). The Warrants allow the holders to purchase up to 865,000 shares of our common stock at an exercise price of \$1.00 per share, of which 625,000 are immediately exercisable. The remaining 240,000 Warrants (the “Contingent Bridge Facility Warrants”) vest and become exercisable at a rate of 10,000 shares on the 15th of each month from the date of a Qualified Offering until the maturity date of the Bridge Financing Facility for each month that the demand for payment is deferred. Upon full conversion of the advances into shares of Beacon common stock or upon the final maturity date, all remaining unvested Contingent Bridge Facility Warrants will automatically vest and become exercisable. If the founding stockholders/directors require prepayment of the advances after the completion of a Qualified Offering but prior to the final maturity date, all remaining unvested Warrants will be forfeited and canceled. The Warrants expire on June 30, 2012. As of June 30, 2008, 50,000 Warrants had vested under the terms of the Bridge Financing Facility. The value of the Warrants was nominal as of the commitment date of July 16, 2007 and therefore did not have a material impact on our condensed consolidated results of operations.

The fair value of the 625,000 exercisable Warrants, which amounted to \$0, was calculated using the Black-Scholes option pricing model. Assumptions relating to the estimated fair value of the Warrants are as follows: fair value of common stock of \$.002 on the commitment date of July 16, 2007; risk-free interest rate of 4.95%; expected dividend yield of zero percent; life of five years; and current volatility of 66.34% .

The final closing of the Private Placement was completed on February 12, 2008. Accordingly, the founding stockholders/directors have the right to demand repayment of these notes in cash at any time after February 12, 2008. From the date of the final closing of the Private Placement on February 12, 2008, the founding stockholders/directors may also (at their option) convert the outstanding principal into 833,333 shares of our common stock at an exercise price of \$0.60 per share and receive cash payment of accrued and unpaid interest. In addition to the above, vesting commenced on the Contingent Bridge Facility Warrants on February 12, 2008. We recorded \$18,000 and \$32,600 of non-cash interest expense related to the 30,000 and 50,000 Contingent Bridge Facility Warrants that vested and became exercisable during the three and nine months ended June 30, 2008, respectively. The fair value of the vested Contingent Bridge Facility Warrants was calculated using the Black-Scholes valuation model as detailed in the following table:

Vesting Date	Quantity Vested	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
2/15/2008	10,000	1,825	\$ 1.00	\$ 1.35	66.34%	0%	2.76%	\$ 0.86	\$ 8,600.00
3/15/2008	10,000	1,796	\$ 1.00	\$ 1.04	66.34%	0%	2.37%	\$ 0.60	\$ 6,000.00
4/15/2008	10,000	1,765	\$ 1.00	\$ 1.15	66.34%	0%	2.68%	\$ 0.69	\$ 6,900.00
5/15/2008	10,000	1,735	\$ 1.00	\$ 0.95	66.34%	0%	3.10%	\$ 0.53	\$ 5,300.00
6/15/2008	10,000	1,704	\$ 1.00	\$ 1.01	66.34%	0%	3.73%	\$ 0.58	\$ 5,800.00

We recorded \$6,420 and \$21,368 of contractual interest expense under this arrangement for the three and nine months ended June 30, 2008, of which \$14,520 is included in accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheet.

On November 15, 2007, we issued \$200,000 of convertible notes payable (the “Bridge Notes”) in a separate debt financing. Of this amount, \$100,000 of the Bridge Notes was issued to one of the directors of Beacon. These Bridge Notes were issued under terms substantially identical to the terms stipulated under the Bridge Financing Facility described above. The holders of the Bridge Notes also agreed, on December 28, 2007, not to demand repayment of these notes before the completion of the Private Placement described in Note 14 or December 31, 2008, whichever came first. The effect of the change in the maturity dates of these notes was insignificant to the Company’s financial results. Accordingly, these notes are due on demand anytime after the completion of the Private Placement described in Note 14, which occurred on February 12, 2008. On March 15, 2008, the noteholders agreed not to demand repayment of the notes before the completion of an offering in which the Company raises at least \$3 million of additional equity financing or April 1, 2009, whichever comes first. Accordingly, the notes are included in current liabilities at June 30, 2008.

We evaluated the conversion option stipulated in the Bridge Notes (which has terms identical to the conversion option featured in the Bridge Financing Facility described above) to determine whether it requires immediate accounting recognition and whether under SFAS 133, such conversion feature should be bifurcated from its host instrument and accounted for as a free standing derivative in accordance with EITF 00-19. In performing this analysis, we determined that the conversion option, which is fixed and therefore conventional under EITF 05-2, provides the founding stockholders/directors with the right to convert any advances outstanding under the Bridge Notes into shares of our common stock at anytime upon or after the completion of the Qualified Offering on February 12, 2008.

In connection with the issuance of the Bridge Notes, we also issued warrants to purchase shares of our common stock (the “Note Warrants”). The Note Warrants allow the holders to purchase up to 346,000 shares of our common stock at an exercise price of \$1.00 per share, of which 250,000 are immediately exercisable. The remaining 96,000 Note Warrants (the “Contingent Bridge Note Warrants”) vest and become exercisable at a rate of 4,000 shares per month from the date of a Qualified Offering (if completed) until the maturity date of the Bridge Notes for each month that the demand for repayment of the principal balance is deferred. Upon full conversion of the principal into shares of our common stock or upon the final maturity date, all remaining unvested Note Warrants will automatically vest and become exercisable. If the note holders require prepayment of the principal after the

completion of a Qualified Offering but prior to the final maturity date, all remaining unvested Note Warrants will be forfeited and canceled. The Warrants expire on June 30, 2012.

The fair value of the 250,000 exercisable Warrants, which amounted to \$112,500, was calculated using the Black-Scholes option pricing model. Assumptions relating to the estimated fair value of the Warrants are as follows: fair value of common stock of \$.85 on the commitment date of November 15, 2007; risk-free interest rate of 3.71%; expected dividend yield of zero percent; expected life of 1,689 days through June 30, 2012; and current volatility of 66.34%. Accordingly, we discounted the face value of the Bridge Notes to \$128,000 and recorded an attributable equity value of \$72,000 upon the original issuance of the Bridge Notes, in accordance with Accounting Principle Board Opinion No. 14 “Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants,” (“APB 14”). The discount related to the Bridge Note Warrants is being accreted over the estimated life of the Bridge Notes of 2.27 years from the date of issuance on November 15, 2007.

The final closing of the Private Placement was completed on February 12, 2008. Accordingly, the holders of the Bridge Notes have the right to demand repayment of these notes in cash at any time after February 12, 2008 or convert, at their option, the outstanding principal into 333,333 shares of our common stock and receive cash payment of accrued and unpaid interest. The intrinsic value of the beneficial conversion feature of the Bridge Notes was determined to be approximately \$0.47 per share or an aggregate of \$156,169 representing more than 100% of the remaining undiscounted face value of the Bridge Notes. Accordingly, an additional discount of \$128,000 to the face value of the Bridge Notes was recorded for the beneficial conversion feature of the Bridge Notes. The discount related to the beneficial conversion feature of the Bridge Notes will be accreted over the two-year contractual term of the Notes. In addition, vesting commenced on the Contingent Bridge Note Warrants on February 12, 2008.

We recorded contractual interest expense of \$2,568 and \$7,601 for the three and nine months ended June 30, 2008, respectively, under this arrangement of which \$7,601 is included in accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheet. In addition, we recorded accretion of the Bridge Note Warrant discount to fair value of \$7,930 and \$22,698 for the three and nine months ended June 30, 2008, respectively. We recorded accretion of the discount of the remaining value of the Bridge Notes related to the beneficial conversion feature of the Bridge Notes of \$15,999 and \$24,533 for the three and nine months ended June 30, 2008. We recorded \$7,200 and \$13,040 of non-cash interest expense related to the 12,000 and 20,000 Contingent Bridge Note Warrants that vested and became exercisable during the three and nine months ended June 30, 2008, respectively. The fair value of the vested Contingent Bridge Note Warrants was calculated using the Black-Scholes valuation model as detailed in the following table:

Vesting Date	Quantity Vested	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
2/15/2008	4,000	1,825	\$ 1.00	\$ 1.35	66.34%	0%	2.76%	\$ 0.86	\$ 3,440.00
3/15/2008	4,000	1,796	\$ 1.00	\$ 1.04	66.34%	0%	2.37%	\$ 0.60	\$ 2,400.00
4/15/2008	4,000	1,765	\$ 1.00	\$ 1.15	66.34%	0%	2.68%	\$ 0.69	\$ 2,760.00
5/15/2008	4,000	1,735	\$ 1.00	\$ 0.95	66.34%	0%	3.10%	\$ 0.53	\$ 2,120.00
6/15/2008	4,000	1,704	\$ 1.00	\$ 1.01	66.34%	0%	3.73%	\$ 0.58	\$ 2,320.00

Line of Credit

On June 11, 2008, the Company and Integra Bank entered into a credit facility, under which the Company borrowed \$200,000 at a 6.00% annual interest rate the principal of which is payable on August 11, 2008. The proceeds of the note were used as short term working capital collateralized by certain customer engagements and the receivables expected to be generated there from. Cash collections related to the collateralized customer engagements will be used to repay the note.

Long Term Debt

The following is a summary of our long term debt:

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Integra Bank	574,233
Acquisition notes (payable to the sellers of the acquired businesses according to the terms described in Note 4)	
ADSnetcurve	259,615
Bell-Haun	119,000
CETCON	550,181
RFK	515,795
Strategic	183,670
	<hr/>
	2,202,494
Less: Current portion	(669,495)
	<hr/>
Non-current portion	\$1,532,999
	<hr/>

Integra Bank

On March 14, 2008, the Company and Integra Bank entered into a credit facility, under which the Company borrowed \$600,000 at a 6.25% annual interest rate with monthly payments of \$11,696 over a 60 month term that matures on March 12, 2013. The first payment was made on April 14, 2008. The proceeds of the note were used to repay the three previously outstanding notes assumed in the acquisitions, two of which were in default due to change in control provisions. The Company used a portion of the proceeds from the new installment obligation to refinance \$195,000 of previously outstanding indebtedness due to the same creditor. The effect of having refinanced the previous indebtedness with this same creditor was insignificant to the Company's financial statements and therefore is not deemed to be a constructive extinguishment of the previous balance in accordance with EITF 96-19 "Debtors Accounting for a Modification or Exchange of Debt Instruments." Accordingly, no gain or loss has been recognized.

Acquisition Notes

Notes payable with an aggregate value of \$1,923,500 were issued as purchase consideration in our business combinations as described in Note 4. The terms of these notes, including provisions for partial acceleration in the event we raise additional equity capital in future financing transactions and optional prepayment provisions, are more fully described in Note 4.

The following table summarizes the remaining debt principal payment obligations by year for the long-term debt other than the Bridge Financing Facility, Bridge Notes, and short term line of credit which are presumed to be paid within the next twelve months:

Year	
<hr/>	
2008	\$ 669,495
2009	435,856

2010	467,599
2011	437,216
2012	178,182
Thereafter	14,146
	<hr/>
	\$2,202,494
	<hr/>

Substantially all of the Company's assets are pledged as collateral under its various debt obligations and tax liens pursuant to the Strategic acquisition as described in Notes 4 and 12.

NOTE 11 – CAPITAL LEASE OBLIGATIONS

The Company assumed capital lease obligations related to service vehicles in its acquisitions of Strategic Communications under which the aggregate present value of the minimum lease payments amounted to \$16,496 as of June 30, 2008. In accordance with SFAS 13, "Accounting for Leases" ("SFAS 13"), the present value of the minimum lease payments was calculated using discount rate of 5%. Lease payments, including amounts representing interest, amounted to approximately \$1,725 and \$5,175 for the three and nine months ended June 30, 2008, respectively.

Minimum lease payments due in years subsequent to June 30, 2008 are as follows:

Twelve Months Ended March 31, 2009	\$ 8,867
Twelve Months Ended March 31, 2010	7,629
	<hr/>
Total minimum lease payments	16,496
Less: amount representing interest	(388)
	<hr/>
Present value of minimum lease payments	16,108
Current portion of long-term capital lease obligations	(8,867)
	<hr/>
Long-term capital lease obligations, less current portion	\$ 7,241
	<hr/>

NOTE 12 – RELATED PARTY TRANSACTIONS

On July 16, 2007, the Company entered into the \$500,000 Bridge Financing Facility provided by two of its founding stockholders/directors (Notes 3 and 10).

On November 15, 2007, the Company entered into a separate \$100,000 bridge note with one of its directors (Notes 3 and 10).

One of the Company's founders also provides it with certain consulting services. There is no formal agreement between the Company and this founder. For the nine months ended June 30, 2008, the Company recorded \$75,169 of compensation expense paid in cash to the founder for consulting services provided, which is included in salaries and benefits in the accompanying condensed consolidated statement of operations and a \$60,000 fee for assisting in the successful execution of the Series A-1 Placement which was netted against the proceeds from the placement.

The Company has obtained insurance through an agency owned by one of its founding stockholders/directors. Insurance expense paid through the agency for the nine months ended June 30, 2008 was \$44,090 and is included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

On December 28, 2007, the Company entered into an equity financing arrangement with two of its directors that provided up to \$300,000 of additional funding, the terms of which provided for compensation of 10,000 warrants to purchase common stock at \$1.00 per share per month, for each individual for the period the financing arrangement was in effect. The warrants have a five-year term. The financing arrangement was terminated upon the close of the Series A-1 Placement. Accordingly, the Company recognized \$0.00 and \$58,700 of interest expense for the three and nine months ended June 30, 2008 based on the fair value of the warrants as they were earned. The fair values were calculated using the Black-Scholes option pricing model with the following assumptions:

Date Earned	Quantity Earned	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
1/28/2008	20,000	1,825	\$1.00	\$1.90	66.34%	0%	2.80%	\$ 1.34	\$ 26,800
2/28/2008	20,000	1,825	\$1.00	\$1.50	66.34%	0%	2.73%	\$0.99	\$ 19,800
3/7/2008	10,000	1,825	\$1.00	\$1.75	66.34%	0%	2.45%	\$1.21	\$ 12,100

On March 26, 2008, the Company issued warrants to purchase 300,000 shares of common stock at \$1.00 per share with a five-year term

to one of its directors. Accordingly, the Company recognized \$219,000 of share-based compensation expense for nine months ended June 30, 2008 based on the fair value of the warrants on the grant date. The fair value was calculated using the Black-Scholes option pricing model with the following assumptions:

Grant Date	Quantity Granted	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
3/26/2008	300,000	1,825	\$1.00	\$1.20	66.34%	0%	2.55%	\$0.73	\$219,000

On May 15, 2008, the Company entered into an equity financing arrangement with one of its directors that provided up to \$500,000 of additional funding, the terms of which provided for issuance of 33,333 warrants to purchase common stock at \$1.00 per share per month for the period the financing arrangement is in effect. The warrants have a five-year term. The financing arrangement terminates upon the close of a \$3,000,000 equity financing event. Accordingly, the Company recognized \$19,333 of interest expense for the three and nine months ended June 30, 2008 based on the fair value of the warrants as they were earned. The fair values were calculated using the Black-Scholes option pricing model with the following assumptions:

Date Earned	Quantity Earned	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
6/15/2008	33,333	1,825	\$1.00	\$1.01	66.34%	0%	3.73%	\$0.58	\$19,333

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

The Company has entered into employment agreements with three of its key executives with no specific expiration dates that provide for aggregate annual compensation of \$480,000 and up to \$120,000 of severance payments for termination without cause. In addition, the Company entered into employment agreements with five key employees of certain of the acquired businesses upon its completion of the business combinations described in Note 4. Aggregate compensation under these agreements amounts to \$580,000. Two of these agreements expire on December 31, 2009 and the remaining three have no specified expiration date. These agreements also provide for aggregate severance payments of up to \$326,000 for termination without cause.

Operating Leases

The Company has entered into operating leases for office facilities in Louisville, KY, Columbus, OH and Cincinnati, OH. A summary of the minimum lease payments due on these operating leases exclusive of the Company's share of operating expenses and other costs:

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2008	\$ 81,907
2009	170,223
2010	100,000
	<u>\$352,130</u>

Strategic Communications Tax Liability

As further described in Note 4, the assets acquired from Strategic Communications are encumbered by \$313,000 of tax liens for delinquent sales and use, payroll and income taxes incurred by Strategic prior to the acquisition on December 20, 2007. The Company has agreed to pay, under certain conditions, interest and penalties accruing on these obligations subsequent to December 20, 2007, which amounts to approximately \$7,400 as of June 30, 2008. Strategic, as the seller in this transaction, is still the primary obligor of these tax liabilities and is therefore primarily liable for payment of the entire balance, including penalties and interest. Through June 30, 2008, the Company has paid aggregate obligations related to local, state and federal tax liens of approximately \$158,000 and has secured the release of all but the federal tax liens as of June 30, 2008. As described in Note 17, the remaining amount of the liens of approximately \$281,000 was settled on July 1, 2008 pursuant to an agreement by and among Strategic Communications LLC, Beacon, and the Internal Revenue Service (Note 17).

Legal Proceedings

On May 13, 2008, we received a letter from counsel for Uplink Technology, Inc. ("Uplink"), which had been in litigation with Strategic Communications LLC ("Strategic") at the time we acquired certain assets and assumed certain liabilities of Strategic. Uplink counsel claims Uplink and/or its principals are owed up to \$420,000 by Strategic and demands that all net proceeds (including cash as well as our Common Stock) due by us to Strategic or its principals will continue to be held "in trust" pending the completion of the litigation between Strategic and Uplink. If we do not provide written confirmation by May 19, 2008 of our intention to do so, Uplink has stated that it will seek injunctive relief in order to obtain same. Subsequent to May 19, 2008, when Beacon had verbally responded to these issues through counsel, pursuant to discussions with counsel for Uplink, no action has been taken against Beacon nor do we expect any to be taken. Notwithstanding the foregoing, the Company cannot determine the outcome of this matter at this time. The Company is not currently a party to the litigation and management does not believe this situation will result in a material impact to our condensed consolidated financial position or results of operations. Notwithstanding the foregoing, the Company cannot determine the outcome of this matter at this

time and there is no assurance that the outcome will not have a material effect on the Company's operations.

NOTE 14 – STOCKHOLDERS EQUITY

Authorized Capital

The Company is currently authorized to issue up to 70,000,000 shares of common stock, par value \$0.001 per share, and 5,000,000 shares of preferred stock, par value \$0.01 per share, of which three series have been designated: 4,500 shares of Series A Convertible Preferred Stock, 1,000 shares of Series A-1 Convertible Preferred Stock, and 4,000 shares of Series B Convertible Preferred Stock.

Each share of Series A, Series A-1 and Series B preferred has voting rights equal to an equivalent number of common shares into which it is convertible. The holders of the Series A and Series A-1 are entitled to receive contractual cumulative dividends in preference to any dividend on the common stock at the rate of 10% per annum on the initial investment amount commencing on the date of issue. The holders of the Series B are entitled to receive contractual cumulative dividends in preference to any dividend on the common stock (but subject to the rights of the Series A and Series A-1) at the rate of 6% per annum on the initial investment amount commencing on the date of issue. Such dividends are payable on January 1, April 1, July 1 and October 1 of each year. Dividends accrued but unpaid with respect to this feature amounted to \$94,904 and \$5,450 as of June 30, 2008 for the Series A and A-1 preferred, respectively, and are presented as an increase in net loss available to the common stockholders of \$93,019 and \$100,354 for the three and nine months ended June 30, 2008, respectively. No dividends have yet

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accrued on the Series B Preferred Stock. The Company has the option of paying the dividend in either common stock or cash.

The Series A, A-1 and B Preferred Stock designation contains certain restrictive covenants including restrictions against: the declaration of dividend distributions to common stockholders; certain mergers, consolidations and business combinations; the issuance of preferred shares with rights or provisions senior to each of the Series A, A-1, and B Preferred Stock; and restrictions against incurring or assuming unsecured liabilities or indebtedness unless certain minimum performance objectives are satisfied. The Series A Preferred Stock is senior to the Series A-1 Preferred Stock, and the Series A and A-1 are senior to the Series B Preferred Stock.

The Series A, A-1 and B Preferred Stock also contains a right of redemption in the event of liquidation or a change in control. The redemption feature provides for payment of 125% of the face value and 125% of any accrued unpaid dividends in the event of bankruptcy, change of control, or any actions to take the Company private. The amount of the redemption preference was \$5,118,630 and \$1,006,813 for the Series A and A-1 preferred, respectively, as of June 30, 2008. No shares of Series B Preferred Stock had been issued as of June 30, 2008.

The Company, by resolution of the Board of Directors, may designate additional series of Preferred Stock ("blank check preferred stock") and to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon such blank check preferred stock, and the number of shares constituting any such series of such blank check preferred stock. The rights, privileges and preferences of any such blank check preferred stock shall be subordinate to the rights, privileges and preferences to the existing Series A and Series A-1 Preferred Stock. The Series B Preferred Stock was issued as "blank check preferred stock" and as such is subordinate to the rights, privileges and preferences of the Series A and Series A-1 Preferred Stock.

The Board of Directors may also increase or decrease the number of shares of any series (other than the Series A Preferred Stock or the Series A-1 Preferred Stock), prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding.

Private Placement of Convertible Preferred Stock

Series A Preferred Stock Placement

During the nine months ended June 30, 2008, we issued in three Private Placement transactions, an aggregate of 4,000 shares of our Series A convertible preferred stock and five year common stock purchase warrants exercisable at \$1.00 per share for net proceeds of \$3,276,610 (gross proceeds of \$4,000,000 less offering costs of \$723,390). Offering costs included fees paid to the placement agent of \$650,000 and legal and related expenses of \$73,390 in addition to warrants granted to the placement agent to purchase 1,040,000 shares of our common stock at \$1.00 per share with a 5 year term. An additional 600,000 warrants to purchase shares of our common stock at \$1.00 per share with a 5 year term were earned by and issued to affiliates of the placement agent. The Series A is convertible into common stock at any time, at the option of the holder at a conversion price of \$.75 per share. The conversion price is subject to adjustment for stock splits, stock dividends, recapitalizations, dilutive issuances and other anti-dilution provisions, including circumstances in which we, at our discretion, issue equity securities or convertible instruments that feature prices lower than the conversion price specified in the Series A preferred shares. The Series A is also automatically convertible into shares of our common stock, at the then applicable conversion price upon the closing of a firm commitment underwritten public offering of shares of our common stock yielding aggregate proceeds of not less than \$20 million or under certain other circumstances when the trading volume and average trading prices of the stock attain certain specified levels.

As described in Note 1, we evaluated the conversion options embedded in the Series A securities to determine (in accordance with SFAS 133 and EITF 00-19) whether they should be bifurcated from their host instruments and accounted for as separate derivative financial instruments. We determined, in accordance with SFAS 133, that the risks and rewards of the common shares underlying the conversion feature are clearly and

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closely related to those of the host instrument. Accordingly the conversion features are being accounted for as embedded conversion

options in accordance with EITF 98-5 and EITF 00-27. During the nine months ended June 30, 2008, based on an evaluation of the beneficial conversion feature of the Series A Preferred Shares, the Company recorded deemed dividends of \$2,483,715. The table below lists the detailed fair value of the warrants issued in each of the three closings of the Series A Preferred Stock Private Placement. The fair values were calculated using the Black-Scholes option pricing model with the following assumptions:

Date Issued	Quantity of Warrants Issued	Estimated Fair Value Per Warrant	Estimated Fair Value of Warrants	Fair Value of Undlying Common Stock	Risk-Free Interest Rate	Expected Dividend Yield	Life (Years)	Current Volatility
12/20/2007	1,622,600	\$0.46	\$746,396	\$0.85	3.45%	0%	5	66.34%
1/15/2008	480,333	\$0.78	\$374,660	\$1.25	3.00%	0%	5	66.34%
2/12/2008	563,733	\$0.78	\$439,712	\$1.25	2.71%	0%	5	66.34%

Accordingly, deemed dividends related to the conversion feature were recorded based on the difference between the effective conversion price of the conversion option and the fair value of the common stock at the commitment date of the transaction detailed in the table below.

Date of Issue/ Commitment Date	Fair Value of Common Stock on Commitment Date	Effective Conversion Price	Intrinsic Value of Beneficial Conversion Feature	Common Shares Issuable Upon Conversion	Deemed Dividend
12/20/2007	\$0.85	\$0.57	\$0.28	3,245,200	\$903,878
1/15/2008	\$1.25	\$0.49	\$0.76	960,667	\$726,820
2/12/2008	\$1.25	\$0.49	\$0.76	1,127,466	\$853,017

The Company has reserved 5,333,333 shares of its common stock for issuance upon the conversion of its Series A convertible preferred stock and 2,666,666 shares of its common stock for issuance upon exercise of the Investor Warrants.

As described in Note 1, the Company applies the classification and measurement principles enumerated in EITF Topic D-98 with respect to accounting for its issuances of the Series A preferred stock. The Company is required, under Nevada law, to obtain the approval of its board of directors in order to effectuate a merger, consolidation or similar event resulting in a more than 50% change in control or a sale of all or substantially all of its assets. The board of directors is then required to submit proposals to enter into these types of transactions to its stockholders for their approval by majority vote. The preferred stockholders do not currently (i) control or have representation on the Company's Board of Directors and/or (ii) have sufficient voting rights to control a redemption of these shares by either of these events. In addition the effectuation of any transaction or series of transactions resulting in a more than 50% change in control can be made only by the Company in its sole discretion. Based on these provisions, we classified the Series A preferred shares as permanent equity in the accompanying condensed consolidated balance sheet because the liquidation events are deemed to be within the Company's sole control in accordance with the provisions of EITF Topic D-98.

We evaluate the Series A convertible preferred stock at each reporting date for appropriate balance sheet classification.

Series A-1 Preferred Stock Placement

On March 7 and 11, 2008, the Company issued, in two closing of a Private Placement transaction, an aggregate of 800 shares of its Series A-1 convertible preferred stock and 533,333 five year common stock purchase warrants exercisable at \$1.00 per share for net proceeds of \$599,850 (gross proceeds of \$800,000 less offering costs of \$200,150). Offering costs included fees paid to the placement agent of \$104,000, a fee for the successful completion of the placement of \$60,000 paid to a related party and \$36,150 in legal and relate fees in addition to warrants to purchase 208,000 shares of our common stock at \$1.00 per share with a 5 year term. The Series A-1 Preferred Stock is convertible into common stock at any time, at the option of the holder at a conversion price of \$.75 per share. The conversion price is subject to adjustment for stock splits, stock dividends, recapitalizations, dilutive issuances and other anti-dilution provisions, including circumstances in which we, at our discretion, issue equity securities or convertible instruments that feature prices lower than the conversion price specified for shares of Series A-1 Preferred Stock. The Series A-1 Preferred Stock is also automatically convertible into shares of our common stock, at the then applicable conversion price upon the closing of a firm commitment underwritten public offering of shares of our common stock yielding aggregate proceeds of not less than \$20 million or under certain other circumstances when the trading volume and average trading prices of the stock attain certain specified levels.

As described in Note 1, we evaluated the conversion options embedded in the Series A-1 securities to determine (in accordance with SFAS 133 and EITF 00-19) whether they should be bifurcated from their host instruments and accounted for as separate derivative financial instruments. We determined, in accordance with SFAS 133, that the risks and rewards of the common shares underlying the conversion feature are clearly and closely related to those of the host instrument. Accordingly the conversion features are being accounted for as embedded conversion options in accordance with EITF 98-5 and EITF 00-27. During the nine months ended June 30, 2008, based on an evaluation of the beneficial conversion feature of the Series A-1 Preferred Shares, the Company recorded deemed dividends of \$1,411,882. The table below lists the fair value of the warrants issued in each of the two closings of the Series A-1 Preferred Stock Private Placement. The fair values were calculated using the Black-Scholes option pricing model with the following assumptions:

Date	Quantity of Warrants	Estimated Fair Value	Estimated Fair Value of	Fair Value of Undlying Common	Risk-Free Interest	Expected Dividend	Life	Current
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Issued	Issued	Per Warrant	Warrants	Stock	Rate	Yield	(Years)	Volatility
3/7/2008	515,200	\$1.20	\$618,240	\$1.75	2.45%	0%	5	66.34%
3/11/2008	18,133	\$0.99	\$17,952	\$1.50	2.61%	0%	5	66.34%

Accordingly, deemed dividends related to the conversion feature were recorded based on the difference between the effective conversion price of the conversion option and the fair value of the common stock at the commitment date of the transaction detailed in the table below.

Date of Issue/ Commitment Date	Fair Value of Common Stock on Commitment Date	Effective Conversion Price	Intrinsic Value of Beneficial Conversion Feature	Common Shares Issuable Upon Conversion	Deemed Dividend
3/7/2008	\$1.75	\$0.42	\$1.33	1,030,400	\$1,373,867
3/11/2008	\$1.50	\$0.45	\$1.05	36,267	\$ 38,015

The Company has reserved 1,066,667 shares of its common stock for issuance upon the conversion of its Series A-1 convertible preferred stock and 533,333 shares of its common stock for issuance upon exercise of the Investor Warrants.

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As described in Note 1, the Company applies the classification and measurement principles enumerated in EITF Topic D-98 with respect to accounting for its issuances of the Series A-1 preferred stock. The Company is required, under Nevada law, to obtain the approval of its board of directors in order to effectuate a merger, consolidation or similar event resulting in a more than 50% change in control or a sale of all or substantially all of its assets. The board of directors is then required to submit proposals to enter into these types of transactions to its stockholders for their approval by majority vote. The preferred stockholders do not currently (i) control or have representation on the Company's Board of Directors and/or (ii) have sufficient voting rights to control a redemption of these shares by either of these events. In addition the effectuation of any transaction or series of transactions resulting in a more than 50% change in control can be made only by the Company in its sole discretion. Based on these provisions, we classified the Series A-1 preferred shares as permanent equity in the accompanying condensed consolidated balance sheet because the liquidation events are deemed to be within the Company's sole control in accordance with the provisions of EITF Topic D-98.

We evaluate the Series A-1 convertible preferred stock at each reporting date for appropriate balance sheet classification.

Preferred Stock Dividend

On March 26, 2008, the Company elected to pay the contractual dividends due the Series A and A-1 preferred stock holders in additional shares of the related preferred stock. The shares of preferred stock are convertible into 133,805 shares of common stock. The Company follows the guidelines of EITF 00-27 when accounting for pay-in-kind dividends that are settled in convertible securities with beneficial conversion features. Therefore, effective April 1, 2008, the Company recorded a \$60,212 deemed dividend related to the conversion feature based on the difference between the effective conversion price of the conversion option of \$0.75 per share and the fair value of the common stock of \$1.20 per share on the date of election which is considered the commitment date.

Registration Rights

Pursuant to the terms of the registration rights agreement entered into in connection with the Series A Private Placement and Series A-1 Private Placement, the Company agreed to file with the SEC as soon as is practicable after completion of the offering a registration statement (the "Registration Statement") and use its best efforts to have the Registration Statement declared effective not later than June 30, 2008. The Registration Statement would register for resale (i) the shares of the Company's common stock underlying the units sold in the Private Placement (the "Units") and (ii) the shares of the Company's common stock issuable upon the exercise of the warrants issued to the investors and agents in these Private Placements. The Company agreed to use commercially reasonable best efforts to have such "resale" Registration Statement declared effective by the SEC as soon as possible and, in any event, not later than June 30, 2008.

If the Registration Statement is not declared effective by the SEC by June 30, 2008 then the Company is obligated to issue to each purchaser of units in the Private Placement to pay a 1% of the aggregate purchase price of the units, for each 30 day period the Company is late in filing the Registration Statement or the Registration Statement is late in being declared effective.

The Company applies FASB Staff Position EITF 00-19-2 "Accounting for Registration Payment Arrangements," with respect to determining whether to record a liability for contingent consideration potentially transferable to security holders covered under registration rights agreements. On April 18, 2008, the Placement Agent waived the registration right and potential penalty subject to consent of the 60% of the holders of the Series A and Series A-1 Preferred Stock which was subsequently obtained.

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Completion of Share Exchange Transaction

On December 20, 2007, pursuant to the Share Exchange transaction between Suncrest and Beacon, Beacon exchanged 9,194,900 shares of Beacon common stock and 2,433.9 shares of Beacon Series A preferred stock for 9,194,900 shares of Suncrest common stock and 2,433.9 shares of Suncrest Series A preferred stock. The shareholders of Suncrest, prior to the recapitalization, held 3,003,847 shares of which they returned 1,730,726 for cancellation and retained 1,273,121 shares of the recapitalized company. Immediately following the

Share Exchange transaction, there were 10,468,121 shares of common stock outstanding, including 9,194,900 shares held by Beacon's existing stockholders and 1,273,121 shares held by the stockholders of Suncrest. As described in Note 1, the Share Exchange has been accounted for as a recapitalization of Beacon into Suncrest because the existing Beacon stockholders retained a majority interest in the combined enterprise. The Company paid a \$305,000 fee to the stockholders of Suncrest in connection with completing the Share Exchange Transaction which is included as a component of selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

Issuances of Common Stock in Business Combinations

The Company issued 3,225,000 shares of common stock in connection with business combinations described in Note 4. The aggregate fair value of these shares amounted to \$2,741,250.

Restricted Stock Grant

On December 5, 2007, the Company issued 782,250 shares of restricted common stock with an aggregate fair value of \$666,873 to the Company's president in exchange for \$156. Immediately upon the sale 150,000 shares vested with the remaining shares vesting in quantities of 210,750 shares on each of December 20, 2008, 2009 and 2010. The Company accounts for share-based compensation under SFAS No. 123(R), "Share-Based Payment," which requires it to expense the fair value of grants made under the share based compensation programs over the vesting period of each individual agreement. Awards granted are valued and non-cash share-based compensation expense is recognized in the consolidated statements of operations in accordance with SFAS No. 123(R). The Company recognizes non-cash share-based compensation expense ratably over the requisite service period which generally equals the vesting period of awards, adjusted for expected forfeitures. The Company recognized \$44,610 and \$221,593 of non-cash share-based compensation expense during the three and nine months ended June 30, 2008, respectively, in connection with such grants. Unamortized compensation under this arrangement amounted to \$445,124 as of June 30, 2008 and will be amortized over the remaining vesting period of 3 years. The shares vest immediately upon the Company's termination without cause or the Executive's resignation if in response to certain defined actions taken by the Company adverse to Executive's employment which constitute good reason as defined in the Executive's employment agreement. In the event of termination for cause, or resignation without good reason, the Company has the right to repurchase any unvested shares for nominal consideration.

Compensatory Warrants Issuance

On March 26, 2008, the Company issued warrants to purchase 300,000 shares of common stock at \$1.00 per share with a five-year term to one of its directors. Accordingly, the Company recognized \$219,000 of share-based compensation expense for the nine months ended June 30, 2008 based on the fair value of the warrants on the grant date. The fair value was calculated using the Black-Scholes option pricing model with the following assumptions:

Grant Date	Quantity Granted	Expected Life (days)	Strike Price	Underlying Price	Volatility	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
3/26/2008	300,000	1,825	\$1.00	\$1.20	66.34%	0%	2.55%	\$0.73	\$219,000

Contingent Warrants Grant

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On May 8, 2008, the Company granted warrants to purchase 168,421 shares of common stock to each of Bruce Widener and Rick Hughes at a purchase price of \$1.20 per common share to be delivered upon the completion of the Company's 2008 capital funding objective of a debt or equity financing with gross proceeds of \$4,000,000 to the Corporation. No financing transaction meeting the specifications for delivery has been completed as of June 30, 2008. Accordingly, there has been no accounting recognition related to this item.

NOTE 15 – INCOME TAXES

As described in Note 1, the Company adopted FIN 48 effective June 6, 2007. FIN 48 requires companies to recognize in their financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

The Company and its subsidiaries intend to conform their tax periods to the September 30 reporting period established by Beacon and subsequently file consolidated federal and state income tax returns. The consolidated group for this purpose includes (i) Beacon, the former development stage enterprise organized to execute the business combinations and Share Exchange transactions as described in Notes 4 and 14, respectively, (ii) BH Acquisition Corp., the legal entity formed by Beacon to acquire the stock of Bell-Haun Systems, Inc., and (iii) the Company (f/k/a Suncrest Global Energy Corp.) which acquired all of the equity interests of Beacon in the Share Exchange transaction completed on December 20, 2007.

Beacon's initial tax reporting period is June 6, 2007 (inception) through September 30, 2007 but has not yet filed any Federal or State income tax returns. Beacon estimates that its deferred tax assets as of September 30, 2007 amount to approximately \$52,000 and principally consist of a net operating loss and start up costs. Beacon, as a result of having evaluated all available evidence as required under SFAS 109, fully reserved for its net deferred tax assets since it is more likely than not that the future tax benefits of these deferred tax assets will not be realized in future periods.

Suncrest, prior to the Share Exchange transaction, had nominal operations and a net operating loss of approximately \$499,000 expiring at various times through 2016 and has filed Federal and State income tax returns for the years ended June 30, 2004, 2005 and 2006 that have not been examined by the applicable Federal and State tax authorities.

Bell-Haun, previous to its acquisition by the Company had net operating losses of approximately \$969,000 expiring at various times through 2027. Bell-Haun filed Federal and State income tax returns for the years ended December 31, 2004, 2005 and 2006 that have not been examined by the applicable Federal and State tax authorities

The Company performed a preliminary assessment of possible uncertain tax positions under FIN 48. Based on this preliminary assessment management does not believe that the Company has any material uncertain tax positions requiring recognition or measurement in accordance with the provisions of FIN 48. Accordingly, the adoption of FIN 48 did not have a material effect on the Company financial statements. The Company's policy is to classify penalties and interest associated with uncertain tax positions, if required as a component of its income tax provision. The Company also intends to perform a nexus study but has, on a preliminary basis, determined it must file State income tax returns in Indiana, Kentucky, Nevada and Ohio.

The Company is in the process of evaluating and quantifying the extent of any deferred tax assets of Suncrest and Bell-Haun that may have existed as of the dates of the Share Exchange Transaction and acquisition of Bell-Haun, respectively. However, the Company believes that limitations were triggered with respect to these tax assets at the time of the Share Exchange Transaction and acquisition of Bell-Haun, respectively, due to the "change in ownership" provisions under Section 382 of the Internal Revenue Code. Accordingly, the Company has not recognized any income tax benefits for these or any other possible deferred tax assets. The utilization of these and any net operating losses that the Company may have generated may be subject to substantial limitations in future periods due to the "change in ownership" provisions under Section 382 of the Internal Revenue Code and similar state provisions.

NOTE 16 – EMPLOYEE BENEFIT PLANS

Stock Options and Other Equity Compensation Plans

In March 2008, the Board of Directors of the Company adopted the 2008 Long Term Incentive Plan, subject to shareholder approval, referred to as the 2008 Incentive Plan. The Company reserved 1,000,000 shares of Company common stock under the 2008 Incentive Plan and for other compensatory equity grants for the issuance of stock options, restricted stock awards, stock appreciation rights and performance awards, pursuant to which certain options will be granted. The terms and conditions of such awards are determined at the sole discretion of the Company's board of directors or a committee designated by the Board to administer the plan. Previously unissued shares of our common stock are provided to a participant upon a participant's exercise of vested options. Of the 1,000,000 shares authorized, 1,000,000 are available for future grants as of June 30, 2008.

Pursuant to certain offers of employment, the Board of Directors of the Company granted stock options to purchase an aggregate of 90,000 and 30,900 shares of common stock on March 26 and May 8, 2008, respectively.

Effective December 20, 2007, we account for stock-based compensation under SFAS No. 123(R), "Share-Based Payment," a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" and superseding APB Opinion No. 25, "Accounting for Stock Issued to Employees," which requires us to expense the fair value of grants made under the stock option program over the vesting period of each individual option agreement. Awards that are granted after the effective date of SFAS No. 123(R) are valued and non-cash share-based compensation expense is recognized in the consolidated statements of operations in accordance with SFAS No. 123(R). No non-vested awards were granted before the effective date of SFAS No. 123(R). We recognize non-cash share-based compensation expense ratably over the requisite service period which generally equals the vesting period of options, adjusted for expected forfeitures.

In accordance with SFAS 123(R), we recognized non-cash share-based compensation expenses as follows:

	Three Months Ended June 30, 2008	Nine Months Ended June 30, 2008
Non-Cash Share-Based Compensation Expense		
Restricted Stock	\$ 44,610	\$ 221,593
Stock Options	6,306	6,662
Non-Cash Stock Compensation Expense	\$ 50,916	\$ 228,255
Impact on basic and diluted earnings per share	\$ (0.00)	\$ (0.03)

We value stock options using the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. In determining the expected term, we separate groups of employees that have historically exhibited similar behavior with regard to option exercises and post-vesting cancellations. The option-pricing model requires the input of subjective

assumptions, such as those listed below. The volatility rates are based on historical stock prices of similarly situated companies and expectations of the future volatility of the Company's common stock. The expected life of options granted are based on historical data, which, as of June 30, 2008 is a partial option life cycle, adjusted for the remaining option life cycle by assuming ratable exercise of any unexercised vested options over the remaining term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The total expense to be recorded in future periods will depend on several variables, including the number of share-based awards.

The fair values of options granted were estimated on the date of grant using the following assumptions:

Grant Date	Weighted Average Expected Volatility	Expected Life (Years)	Expected Dividend Yield	Risk-Free Interest Rate
3/26/2008	66.34%	6.50	0.00%	2.55%
5/8/2008	66.34%	6.50	0.00%	2.99%

The following table details the fair values of options issued:

Date Earned	Quantity Issued	Expected Life (days)	Strike Price	Volatility	Dividend Yield	Risk-Free Interest Rate	Value per Option	Share Based Compensation Expense
3/26/2008	90,000	2,373	\$1.20	66.34%	0%	2.55%	\$0.72	\$64,980
5/8/2008	30,900	2,373	\$1.00	66.34%	0%	2.99%	\$0.64	\$19,776

Shares granted vest 33% annually as of the anniversary of the grant through 2011 and carry a ten year contractual term. As of June 30, 2008, there was approximately \$78,094 in non-cash share-based compensation cost related to non-vested awards not yet recognized in our consolidated statements of operations. This cost is expected to be recognized over the remaining vesting period of 3 years. For the three and nine months ended June 30, 2008, no shares were forfeited and no options were exercised.

Restricted Stock

Prior to adoption of the 2008 Incentive Plan, on December 5, 2007, the Company granted restricted stock to a named executive officer of the Company as described in Note 14.

Beacon Solutions 401(k) Plan

During the three months ended December 31, 2007, the Company established a retirement benefits plan, referred to as the Beacon Solutions 401(k) Plan, intended to meet the requirements of section 401(k) of the Internal Revenue Code of 1986. Under the Beacon Solutions 401(k) Plan, employees may contribute up to the maximum allowable under federal law, and the Company will match up to 100% of the first 1% contributed by the employee and up to 50% of the next 5% contributed by the employee, in cash subject to a vesting schedule based on years of service. All employees are eligible to enroll on date of hire. Employees are automatically enrolled at 3% employer contribution but can change their election at any time.

Total contributions under the Beacon Solutions 401(k) Plan, recorded as salaries and benefits expense, totaled approximately \$33,018 and \$77,918 for the three and nine months ended June 30, 2008, respectively.

NOTE 17 – SUBSEQUENT EVENTS

Sale of Unregistered Equity Securities

Series B Preferred Stock

On July 14, 2008, the Company sold and issued 400 shares of Series B Preferred Stock for an aggregate purchase price of \$400,000. Each share purchased includes a five year warrant to purchase 50 shares of its Common Stock (each, an "Series B Offering Warrant") at a purchase price of \$1.20 per share. The Amended and Restated Certificate of Designation providing for the authorization and issuance of 4,000 shares of Series B Preferred Stock is attached hereto as Exhibit 3.1, and the form of the warrant issued in connection with the Series B Offering is attached hereto as Exhibit 4.1.

The Series B Offering Warrants each have a five year exercise period and an exercise price of \$1.20 per share of the Company's common stock, payable in cash on the exercise date. The exercise price is subject to adjustment upon certain occurrences specified in the Series B Offering Warrants. The shares of Series B Preferred Stock have terms similar to those of the shares of Series A Preferred Stock and Series A-1 Preferred Stock, but are junior to those shares with respect to dividend rights, liquidation preferences and registration rights. The Company has used the proceeds of the closing to pay certain expenses of the Company and for working capital.

Sale of Common Stock and Warrants

On July 25, 2008, the Company engaged a registered broker-dealer (the "Placement Agent") in a private placement of up to 3,750,000 units (the "Common Units"), for an aggregate purchase price of \$3,000,000, with each Common Unit comprised of (i) one share of Common Stock, and (ii) a five year warrant to purchase one-half share of Common Stock (each, an "Common Offering Warrant") at a purchase price of \$1.00 per share (collectively the "Common Offering"). In the event that the Common Offering is oversubscribed, the

Company may sell and issue up to an additional 562,500 Common Units.

The Common Offering Warrants each have a five year exercise period and an exercise price of \$1.00 per share of Common Stock, payable in cash on the exercise date or cashless conversion if a registration statement or current prospectus covering the resale of the shares underlying the Common Offering Warrants is not effective or available at any time more than six months after the date of issuance of the Common Offering Warrants. The exercise price is subject to adjustment upon certain occurrences specified in the Common Offering Warrants.

To date, the Company has sold 812,500 Common Units to accredited investors for an aggregate purchase price of \$650,000. The Company has used the proceeds of the Common Offering to provide working capital. The Placement Agent has earned cumulative cash commissions of \$65,000 and warrants to purchase an aggregate of 121,875 shares of Common Stock.

The Company is relying on an exemption from registration provided under Section 4(2) of the Securities Act for the issuance of the Common Offering Warrants and shares of its Common Stock, which exemption the Company believes is available because the securities were not offered pursuant to a general solicitation and the status of the purchasers of the shares as “accredited investors” as defined in Regulation D under the Securities Act. This report is neither an offer to purchase, nor a solicitation of an offer to sell, securities. The securities offered

have not been registered under the Securities Act and may not be offered in the United States absent registration or an applicable exemption from registration requirements.

Strategic Communications Secured Note Payable

On July 1, 2008, the Company entered into an installment payment plan (“Installment Agreement”) by and among the former owners of Strategic and the Internal Revenue Service to settle the Strategic tax liens described in Note 4. The agreement requires the Company to pay \$50,000 upon signing and \$50,000 the 15th of each month beginning in July until the approximate \$281,000 balance is paid in full along with any further interest and penalties that accrue during the term of the agreement. Based on estimates provided by the Internal Revenue Service, the remaining interest and penalties that have not been accrued to date will amount to approximately \$12,000. The Company does not deem this significant to the original transaction and will expense these penalties and interest over the remaining term of the agreement as incurred. Three payments of \$50,000 each were made on July 1, July 15, and August 15, 2008, respectively pursuant to the Installment Agreement.

Concurrently with the execution of the Installment Agreement, the Company entered into an amendment to the RFK Note Payable, described in Notes 4 and 10, reducing the balance by \$89,000 to compensate for the difference between the remaining balance of the Strategic Secured Note and the remaining tax liens due the Internal Revenue Service. The Company will continue to pay the RFK Note payments of \$11,405 per month, the effect of which will result in a shortened pay-off period.

The difference between the balance of the tax liens, the above reduction in principal of the RFK Note Payable and the balance of the Strategic Secured Note Payable is the agreed upon amount of interest the Company committed to pay in connection with the Strategic Secured Note Payable.

Preferred Shareholder Consents

On August 19, 2008, the Company received the last executed consent from the holders of at least 60% of the Series A and A-1 Preferred Stock consenting to certain transactions and waived certain rights under the preferred Stock Certificates of Designation and a Registration Rights Agreement under which they are third-party beneficiaries. Specifically, the holders gave consent for the Company’s management to enter into a \$500,000 line of credit with Integra Bank and to enter into a loan or loans in an aggregate amount up to an additional \$500,000 secured by accounts receivable. In addition, the holders consented to an amendment of certain rights under a Registration Rights Agreement to which they are third-party beneficiaries. Finally, the holders consent to an amendment to the Stock Purchase Warrants issued in the initial Private Placement to exchange the warrants for certain comparable warrants with altered rights. In consideration of the waiver and consent, the Company will pay the holders that consent 3% of the principal amount of their investment in cash or in-kind at the holder’s option. The consents were circulated to all of the holders of Series A and A-1 Preferred Stock. Should 100% of the holders execute the consents the maximum amount payable to the holders in cash or in-kind would be \$144,000 of which approximately \$90,000 has been incurred based on consents received to date.

Contractual Dividends

On July 1, 2008, additional contractual dividends related to our Series A and A-1 Preferred Stock became due and payable in the aggregate amount of \$120,000.

Equity Financing Arrangement

On August 19, 2008, the Company entered into an equity financing arrangement with one of its directors that provided up to an additional \$2,500,000 of additional funding, the terms of which provided for compensation of 100,000 warrants to purchase common stock at \$1.00 per share. The warrants have a five-year term. The available funds under the financing arrangement will be reduced on a dollar for dollar basis as funding from the Common Stock and Warrant offering is received by the Company and will terminate upon receipt of \$2,500,000 of equity financing or upon mutual agreement of the parties.

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

Beacon Enterprise Solutions Group, Inc. and subsidiaries (collectively the "*Company*") is a unified, single source information technology and telecommunications enterprise that provides professional services and sales of information technology and telecommunications products to mid-market commercial businesses, state and local government agencies, and educational institutions. In this report, the terms "*Company*," "*Beacon*," "*we*," "*us*" or "*our*" mean Beacon Enterprise Solutions Group, Inc. and all subsidiaries included in our consolidated financial statements.

Cautionary Statements - Forward Outlook and Risks

Certain statements contained in this quarterly report on Form 10-Q, including, without limitation, statements containing the words "believes," "anticipates," "intends," "expects," "assumes," "trends" and similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon the Company's current plans, expectations and projections about future events. However, such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others, the following:

- general economic and business conditions;
- effects of competition in the markets in which the Company operates;
- liability and other claims asserted against the Company;
- ability to attract and retain qualified personnel;
- availability and terms of capital;
- loss of significant contracts or reduction in revenue associated with major customers;
- ability of customers to pay for services;
- business disruption due to natural disasters or terrorist acts;
- ability to successfully integrate the operations of acquired businesses and achieve expected synergies and operating efficiencies from the acquisitions, in each case within expected time-frames or at all;
- changes in, or failure to comply with, existing governmental regulations; and
- changes in estimates and judgments associated with critical accounting policies and estimates.

For a detailed discussion of these and other factors that could cause the Company's actual results to differ materially from the results contemplated by the forward-looking statements, please refer to Item 2.01 "Risk Factors" in the Company's Current Report on Form 8-K filed on December 28, 2007. The reader is encouraged to review the risk factors set forth therein. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. Except as required by law, the Company assumes no responsibility for updating forward-looking statements to reflect unforeseen or other events after the date of this report.

Overview

We were formed for the purpose of acquiring and consolidating regional telecom businesses and service platforms into an integrated, national provider of high quality voice, data and VOIP communications to small and medium-sized business enterprises (the "MBE Market"). Our business strategy is to acquire companies that will allow us to serve the MBE Market on an integrated, turn-key basis from system design, procurement and installation through all aspects of providing network service and designing and hosting network applications.

Beacon was a development stage enterprise with no operating history until the completion of the share exchange transaction in which the shareholders of Beacon become the majority owners of Suncrest ("Share Exchange Transaction") completed on December 20, 2007. Concurrent with the Share Exchange Transaction, we also completed the acquisition of four complementary information technology and telecommunications businesses (the "Phase I Acquisitions") described below.

Phase I Acquisitions

Since December 20, 2007, Beacon has focused on the consolidation of various operational elements of the Phase I Acquisitions into a single core infrastructure. For example, in the three months ended March 31, 2008, Beacon merged the four distinct payroll systems of the Phase I Acquisitions into one payroll system; launched a company-wide intranet and human resource information system; centralized the Company's marketing, advertising and promotional programs; and introduced a company-wide Customer Relationship Management (CRM) system. We have also hired eight new sales executives in our primary markets; launched a network circuit sales group; rebranded our customer facing sales and support material; and attempted to capitalize on cross-selling opportunities among our different product and service groups. During the three months ended June 30, 2008, Beacon merged five financial systems into one unified financial system.

Acquisition Growth Strategy

We will continue to integrate these operations into a single integrated organization and to develop the internal infrastructure to scale the business. Consistent with our operating plan, upon our successful integration of the Phase I Acquisitions and the development of organic growth described below, we expect to pursue our phase II acquisition strategy, financed by additional debt or equity financings, by exploring acquisition targets to build around our three state operating hub to grow Beacon into a large regional telecommunications provider with a strong Southeast/Midwest concentration and focus.

Organic Growth Strategy

With respect to our plans to increase revenue organically, we have identified, and are currently pursuing, several significant customer opportunities including an international design/service contract with an existing Fortune 100 client, a domestic service contract with an existing Fortune 500 client and a hardware/services contract with the United States military. We believe these opportunities resulted, in part, from our ability to provide fully integrated voice and data communication services. In addition, subject to securing additional capital, we intend to consolidate our Louisville, Kentucky based operating facilities and implement a Cisco-centric expansion strategy for a portion of our business. We have assessed the current market environment for the growth of our Cisco-centric business and believe that we can expand our Cisco business more efficiently and economically through organic growth rather than through acquisitions. Collectively, these opportunities could increase the Company's annual revenue to over \$25 million.

Our Cisco-centric initiative would have three elements:

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- The first goal of our Cisco-expansion strategy will be to hire additional, highly skilled staff with the appropriate Cisco certifications and background. We would deploy these additional certified Cisco staff throughout all our facilities.
 - The second goal is to achieve the Cisco "Silver" and then "Gold" certifications. The primary benefit of these additional certifications is that we achieve "trusted partner" status, which we believe would increase our access to the Cisco sales channel. In addition, we anticipate that a "Gold" certification would lower our cost of goods purchased from Cisco.
 - The third goal is to incorporate a fully operational Cisco technology lab into our headquarters and operating facility in Louisville, Kentucky. Our goal is to create a lab superior to any Cisco demonstration facility within our region and to provide Cisco and Beacon sales executives the opportunity to bring large client accounts into the Beacon facility and demonstrate the high-definition video conferencing capabilities otherwise known as "Telepresence" technology.

Following the creation of a Cisco technology lab, we would intend to offer similar Microsoft demonstration capabilities centered on Office Communications Server 2007 and Sharepoint. We believe the need for the Microsoft lab is driven by the future of "voice" within the Microsoft roadmap. Ultimately, we expect that voice will become an application that rides atop the exchange environment and will not be a separate technology deployed as with a separate phone system.

By developing and housing these two "showcase" labs, we hope to establish a distinct competitive advantage within our primary markets and be at the forefront of Cisco's and Microsoft's efforts to reshape business communications.

Although our focus in the Cisco and Microsoft areas of our business will be on organic growth, we may explore Cisco-centric Microsoft-centric acquisition candidates in the future.

Results of Operations

For the three and nine months ended June 30, 2008

Revenue for the three and nine months ended June 30, 2008 was approximately \$2,365,000 and \$4,073,000, respectively, provided primarily by services performed by the Phase I Acquisitions consisting primarily of engineering and design, software development, business telephone system installations, and time and materials services for system maintenance. Revenue was recognized for the period December 21, 2007 through June 30, 2008 subsequent to the acquisition of the four target companies on December 20, 2007.

Cost of goods sold for the three and nine months ended June 30, 2008 amounted to approximately \$1,445,000 and \$2,319,000, respectively, and consisted of equipment and materials used in business telephone system installations, parts used in services, direct labor and subcontractor fees incurred in providing all of our services, respectively.

Salaries and benefits of approximately \$1,117,000 for the three months ended June 30, 2008 consisted of salaries expended primarily in integrating the acquisitions and managing the developing sales channel, salaries and benefits of the acquired company employees for the period, approximately \$33,000 of matching contributions to the Company's 401(k) plan, \$12,000 of non-cash share-based payments to one of our directors, and non-cash share-based compensation of \$51,000 related primarily to restricted stock that vested during the period. Salaries and benefits of approximately \$2,623,000 for the nine months ended June 30, 2008 included approximately \$116,469 of salaries expended in developing and executing the acquisition strategy, an accrual of \$31,500 for the successful execution of the acquisitions, and accrued paid time off of \$16,500, \$219,000 of non-cash share-based payments to three of our directors, non-cash share based compensation expense of \$228,000 and salaries and benefits of acquired

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company employees and employees added since inception for the period December 21, 2007 through June 30, 2008. The non-cash share-based payments to our directors related to compensatory stock warrants issued during the period. The non-cash share based compensation expense relates to the compensation earned related to a restricted stock award granted on the day of the Phase I Acquisitions and represents the vested portion of the restricted stock award based on the fair market value on the date of grant.

Selling, general and administrative expense for the three months ended June 30, 2008 of approximately \$532,000 consists primarily of fixed operating costs of the four acquired companies including approximately \$70,000 of accounting and professional fees associated with the Company's March 31, 2008 quarterly review, a \$50,000 charge for bad debt expense related to significant increases in our receivables, approximately \$29,000 of outside services assisting in the transition and integration of the four businesses and approximately \$36,000 of expenses related to our India software development operation. Selling, general and administrative expense for the nine months ended June 30, 2008 of approximately \$1,589,000 consists primarily of fixed operating costs of the four acquired companies including \$309,000 of expenses incurred in connection with the recapitalization, approximately \$231,000 of accounting and professional fees associated with the Company's September 30, 2007 annual audit and December 31, 2007 and March 31, 2008 quarterly reviews, approximately \$117,000 of outside services assisting in the transition and integration of the four businesses and approximately \$104,000 of expenses related to our India software development operation.

Interest expense of approximately \$120,000 and \$322,000 for the three and nine months ended June 30, 2008, respectively, includes interest related to our Bridge Notes in addition to the notes payable issued in connection with our Phase I Acquisitions. Non-cash interest expense related to the accretion of the Bridge Notes to face value, warrants issued in exchange for certain financing arrangements, and the vesting of contingent bridge warrants was \$61,000 and \$171,000 for the three and nine months ended June 30, 2008, respectively.

Contractual dividends on our Series A and A-1 Preferred Stock amounted to approximately \$93,000 and \$100,000 for the three and nine months ended June 30, 2008, respectively. These amounts are included in accrued expenses as of June 30, 2008. Deemed dividends related to the beneficial conversion feature embedded in our Series A and A-1 Preferred Stock of \$60,212 and \$3,955,809 was recognized during the nine months ended June 30, 2008.

Liquidity and Capital Resources

Net cash used in operating activities of approximately \$1,844,000 consisted primarily of a net loss of approximately (\$3,160,000), a decrease in cash due to: (i) an increase in accounts receivable of approximately \$759,000; (ii) an increase in inventory of approximately \$98,000; and (iii) a decrease in customer deposits by approximately \$193,000 primarily in our engineering division. These amounts were offset by increases in cash due to: (i) an increase in our accrued expenses and other current liabilities of approximately \$589,000; (ii) an increase in accounts payable of \$570,000; (iii) a decrease in other assets of \$110,000. Finally, cash used in operations was impacted by non-cash share based payments of approximately \$618,000.

Cash used in investing activities of approximately (\$2,256,000) resulted primarily from proceeds of our Private Placement offering used to purchase the Phase I Acquisitions.

Cash provided by financing activities of approximately \$4,165,000 was derived primarily from \$3,876,000 raised in our Private Placement offerings of Series A and A-1 preferred stock (gross proceeds of \$4,800,000 less placement costs of \$924,000), \$422,000 of proceeds from the issuance of convertible notes payable, \$600,000 of proceeds from the issuance of a note payable and \$200,000 of proceeds from issuance of a short-term note, offset by note payments and payoffs of \$934,000.

We incurred a net loss of approximately \$3,160,000 for the nine months ended June 30, 2008. At June 30, 2008, the Company's accumulated deficit amounted to approximately \$7,349,000. The Company had cash of \$126,827 and a working capital deficit of approximately \$1,552,000 at June 30, 2008.

On June 14, 2007, we signed a non-exclusive engagement agreement with Laidlaw & Company (UK) Ltd. ("Laidlaw") in which Laidlaw agreed to provide us with certain corporate finance advisory services including (i) raising capital under the Private Placement transaction; (ii) structuring our Share Exchange Transaction; and (iii) assisting us with identifying the public company in the Share Exchange Transaction. These transactions were completed on December 20, 2007. We raised \$4.0 million in the private placement in three separate closings on December 20, 2007, January 15, 2008, and February 12, 2008 and an additional \$0.8 million on or about March 7, 2008 in a follow-on placement resulting from an oversubscription of the original private placement.

We received \$500,000 of gross proceeds (\$278,000 prior to September 30, 2007 and \$222,000 during the three months ended December 31, 2007) under a bridge financing facility furnished by two of our founding stockholders, who are also members of the Board of Directors. We also raised \$200,000 of additional capital through the issuance of bridge notes in a second bridge note transaction completed on November 15, 2007.

On March 14, 2008, the Company and Integra Bank entered into a credit facility, under which the Company borrowed \$600,000 at a 6.25% annual interest rate with monthly payments of \$11,696 over a 60 month term that matures on March 12, 2013. The first payment is due in April, 2008. The proceeds of the note were used to repay the three previously outstanding notes assumed in the Phase I Acquisitions, two of which were in default due to change in control provisions.

On May 15, 2008, the Company entered into an equity financing arrangement with two of its directors that provided up to \$500,000 of additional funding, the terms of which provided for compensation of 33,333 warrants to purchase common stock at \$1.00 per share, the period the financing arrangement is in effect. The warrants have a five-year term. The financing arrangement will terminate upon completion of an offering in which the Company raises at least \$3 million of additional equity financing or upon mutual agreement of the parties.

On June 11, 2008, the Company and Integra Bank entered into a credit facility, under which the Company borrowed \$200,000 at a 6.00% annual interest rate the principal and interest of which are due and payable on August 11, 2008. The proceeds of the note were used to pay certain ongoing expenses with the balance used for working capital. The note was paid in full on the due date.

On July 25, 2008, the Company engaged a registered broker-dealer in a private placement of Common Stock and Warrants and has raised \$650,000 as of August 19, 2008.

On August 19, 2008, the Company entered into an equity financing arrangement with one of its directors that provided up to an additional \$2,500,000 of additional funding, the terms of which provided for compensation of 100,000 warrants to purchase common stock at \$1.00 per share. The warrants have a five-year term. The available funds under the financing arrangement will be reduced on a dollar for dollar basis as funding from the Common Stock and Warrant offering is received by the Company and will terminate upon receipt of \$2,500,000 of equity financing or upon mutual agreement of the parties.

The Company believes that its currently available cash, the equity financing arrangement and funds it expects to generate from operations will enable it to effectively operate its business and pay its debt obligations as they become due within the next twelve months through July 1, 2009. However, the Company will require additional capital in order to execute its current business plan. If the Company is unable to raise additional capital, it will be required to take various measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing its business development activities, suspending the pursuit of its business plan, and controlling overhead expenses. The Company cannot provide any assurance that it will raise additional capital. The Company has not secured any commitments for new financing at this time, nor can it provide any assurance that new financing will be available to it on acceptable terms, if at all.

Off-Balance Sheet Arrangements

We have four operating lease commitments for real estate used for office space and production facilities.

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Contractual Obligations as of June 30, 2008

The following is a summary of our contractual obligations as of June 30, 2008:

Contractual Obligations	Total	Payment Due by Period			
		Year 1	Years 2-3	Years 4-5	Thereafter
Long-term debt obligations	\$2,202,494	\$462,775	\$ 872,264	\$805,070	\$62,385
Interest obligations (1)	351,502	128,237	172,637	49,839	789
Operating lease obligations (2)	352,130	81,907	270,223		
	\$2,906,126	\$672,919	\$1,315,124	\$854,909	\$63,174

- (1) Interest obligations assume Prime Rate of 5.00% at June 30, 2008. Interest rate obligations are presented through the maturity dates of each component of long-term debt.
- (2) Operating lease obligations represent payment obligations under non- cancelable lease agreements classified as operating leases and disclosed pursuant to Statement of Financial Accounting Standards No. 13 "Accounting for Leases," as may be modified or supplemented. These amounts are not recorded as liabilities of the current balance sheet date.

Dividends on Series A and A-1 Preferred Stock are payable quarterly at an annual rate of 10% in cash or the issuance of additional shares of Series A and A-1 Preferred Stock, at our option. If we were to fund dividends accruing during the twelve months ended June 30, 2008 in cash, the total obligation would be \$480,000 based on the number of shares of Series A and A-1 Preferred Stock outstanding as of June 30, 2008.

We currently anticipate the cash requirements for capital expenditures, operating lease commitments and working capital will likely be funded with our existing fund sources and cash provided from operating activities. In the aggregate, total capital expenditures are not expected to exceed \$250,000 for the twelve months ended June 30, 2009.

Working Capital

As of June 30, 2008, our current liabilities exceed current assets by approximately \$1,552,000. The bridge notes recorded in current liabilities are convertible into common stock and the note agreements provide for vesting of additional warrants to purchase shares of common should the holders continue to hold the debt and immediate vesting of the additional warrants upon conversion. During the six months ended June 30, 2008 we refinanced the line of credit obligation and a note payable that were in default as of December 31, 2007 that we assumed in the Phase I Acquisitions. In addition, certain vendors have agreed to defer payment or agreed to payment plans or to accept common stock in exchange for settlement of their outstanding balance. We have reduced our working capital deficit by approximately \$92,000 during the six months since December 31, 2007. We can give no assurance that we will continue to be successful in our efforts to negotiate favorable terms with our vendors.

Client Base

Through the Phase I Acquisitions, Beacon acquired a client base that consisted of approximately 4,000 customers, which were predominantly MBEs with 25-2,500 end users each, as well as approximately 50 larger customers. We expect that most of our revenue will be derived from the MBE market.

Competitors

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Beacon has numerous competitors in each one of its four service areas, many of which are substantially better capitalized, have more employees, have a longer operating history and are better known in the industry. However, management is not aware of any direct competitor in the middle-market service space that can provide all of these services without significant outsourcing or reselling, although IBM Global and others do present these services by relying upon outside consultants. Beacon believes that its integration of these services, particularly of its systems and software design and engineering capabilities, provides a distinct competitive advantage.

Technology & equipment procurement competitors include: AT&T, Qwest, Level 3, Broadwing, and Covad. Application development/support competitors include: Trigent, Inventa Technologies, and AAlpha. Competitors specific to the interconnect services include: BellSouth, Vonage, and Packet8. Competitors with respect to data/systems integration services include: Cisco, Datacomm Solutions, Dell, and Sun Microsystems.

Employees

Beacon currently employs approximately 80 persons as a result of the Phase I Acquisitions. In addition, Beacon has entered into an operating agreement with ADSnetcurve to employ a team of developers in India while Beacon acquires the necessary licensure to operate a business within India. None of Beacon's employees is subject to a collective bargaining agreement.

Facilities

Beacon currently maintains its offices at 124 N. First Street, Louisville, KY 40202 and our telephone number is (502) 657-3500.

On November 1, 2007, Beacon entered into an operating lease for its office space in Louisville, Kentucky. The lease term is for a period of four months commencing November 1, 2007 expiring February 28, 2008 for a base rent of \$1,675 per month. Beacon has renewed this lease on a month to month basis as we consider consolidating our Louisville-based businesses to improve operating results. In addition, Beacon leases office space in Cincinnati, Ohio and Columbus, Ohio for amounts that are not deemed to be material.

Certain Relationships and Related Party Transactions

Bridge Financing

John D. Rhodes, III and affiliated entities of Sherman Henderson and Robert Clarkson hold Bridge Notes in the aggregate principal amount of \$600,000. Dr. Rhodes, Sherman Henderson and Robert Clarkson are all directors of Beacon, and Sherman Henderson and Robert Clarkson are 5% shareholders of Beacon.

Consulting Agreement

Beacon has a consulting arrangement with Mr. Rick Hughes, who is an immediate family member of the principal of Brook Street Enterprises, LLC, a stockholder of Beacon, for the provision of consulting services. Previously under this arrangement, Beacon was paying Mr. Hughes a monthly fee of \$12,500.

Under a new agreement with Mr. Hughes, payment is contingent upon the Company's ability to accomplish capital funding objectives as set by the Board of Directors.

Series B Financing and Equity Financing Commitment

On July 10, 2008, Dr. Rhodes purchased \$400,000 of units of Series B Preferred Stock as described in Note 17 of the condensed consolidated financial statements.

Filing Status

Beacon Enterprise Solutions Group, Inc., a Nevada corporation has in the past filed reports with the SEC and will continue to do so as Beacon. You can read and copy any materials we file with the SEC at its Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission, including us.

ITEM 3A(T). CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC. This information is accumulated and communicated to our executive officers to allow timely decisions regarding required disclosure. As of June 30, 2008, our Chief Executive Officer, who acts in the capacity of principal executive officer and our Chief Accounting Officer who acts in the capacity of principal financial officer, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2008, based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Disclosure controls are designed with the objective of ensuring that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that our

transactions are properly authorized, recorded and reported and our assets are safeguarded against unauthorized or improper use, to permit the preparation of our financial statements in conformity with generally accepted accounting principles, including all applicable SEC regulations.

As of December 31, 2007, we had identified certain matters that constituted material weaknesses in our internal controls over financial reporting. Pursuant to the closing of the Phase I Acquisitions on December 20, 2007, we acquired four businesses with distinctly separate internal control structures. These internal control structures have been combined and streamlined to correct certain existing material weaknesses including lack of segregation of duties, inadequate internal accounting information systems and limited qualified accounting staff. Accordingly our systems and personnel were insufficient to support the complexity of our financial reporting requirements. Since December 31, 2007, we have taken certain steps to correct these material weaknesses that include consolidating our accounting functions on a single unified Accounting Information Technology Solution and undertaking a coordinated accounting and operating policy documentation process to fully implement controls and procedures. Although we believe that these steps will result in significant improvements to our internal controls and expect to correct our material weaknesses, additional time is still required to fully document our systems, implement control procedures and test their operating effectiveness.

We believe that our internal controls risks are partially mitigated by the fact that our Chief Executive Officer and Chief Accounting Officer review and approve substantially all of our major transactions and we have, when needed, hired outside experts to assist us with implementing complex accounting principles. We believe that our weaknesses in internal control over financial reporting and our disclosure controls relate primarily to the fact

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that we are an emerging business with limited personnel. Our Chief Accounting Officer was our only employee with SEC reporting experience at the time of the close of the Phase I Acquisitions and as of the date of this Quarterly Report on Form 10-Q.

Changes in Internal Control Over Financial Reporting

Except as discussed above, there were no changes in the Company's internal control over financial reporting during the Company's last fiscal quarter that could have materially affected or is likely to materially affect the Company's internal control over financial reporting.

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PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 13, 2008, we received a letter from counsel for Uplink Technology, Inc. ("Uplink"), which had been in litigation with Strategic Communications LLC ("Strategic") at the time we acquired certain assets and assumed certain liabilities of Strategic. Uplink counsel claims Uplink and/or its principals are owed up to \$420,000 by Strategic and demands that all net proceeds (including cash as well as our Common Stock) due by us to Strategic or its principals will continue to be held "in trust" pending the completion of the litigation between Strategic and Uplink. If we do not provide written confirmation by May 19, 2008 of our intention to do so, Uplink has stated that it will seek injunctive relief in order to obtain same. Subsequent to May 19, 2008, when Beacon had verbally responded to these issues through counsel, pursuant to discussions with counsel for Uplink, no action has been taken against Beacon nor do we expect any to be taken. Notwithstanding, the Company cannot determine the outcome of this matter at this time. The Company is not currently a party to the litigation and management does not believe this situation will result in a material impact to our financial position or results of operations.

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

None.

ITEM 6. EXHIBITS

Part I Exhibits

- 3.1 Amended and Restated Certificate of Designation, filed with the Nevada Secretary of State on July 14, 2008.
- 4.1 Form of Series B Offering Warrant.
- 4.2 Form of Common Offering Warrant.
- 4.3 Form of Warrant issued to J. Sherman Henderson and Robert A. Clarkson on July 10, 2008.
- 10.1 Registration Rights Agreement, dated July __, 2008, by and between the Company and the Placement Agent.
- 31.1 Principal Executive Officer Certification
- 31.2 Principal Financial Officer Certification
- 32.1 Section 1350 Certification
- 32.2 Section 1350 Certification

SIGNATURES

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

Beacon Enterprise Solutions Group, Inc.

Date: August 19, 2008

By: /s/ Bruce Widener

Bruce Widener

Chief Executive Officer and

Chairman of the Board of Directors

**AMENDED AND RESTATED
CERTIFICATE OF DESIGNATION
OF
SERIES B PREFERRED STOCK
OF
BEACON ENTERPRISE SOLUTIONS GROUP, INC.**

Pursuant to Section 78.1955 of Nevada Private Corporations Law

Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the “**Corporation**”), does hereby certify that:

FIRST: The original articles of incorporation of the Corporation were filed with the Secretary of State of Nevada on May 22, 2000 (the “**Original Articles of Incorporation**”), amended and restated on February 15, 2008 (the “**First Amended Articles of Incorporation**”) and amended and restated on April 24, 2008 (the “**Second Amended Articles of Incorporation**”). The articles of incorporation of the Corporation, as such may be amended or restated from time to time, are the “**Articles of Incorporation**.”

SECOND: The Certificate of Designation of Series B Preferred Stock was duly adopted in accordance with the Articles of Incorporation and Section 78.1955 of the Nevada Private Corporations Law (the “**NPCL**”) by the written consent of the Board of Directors of the Corporation on June 16, 2008 and filed with the Secretary of State of Nevada on June 19, 2008.

THIRD: No shares of Series B Preferred Stock have been issued as of the date hereof.

FOURTH: This Amended and Restated Certificate of Designation was duly adopted in accordance with the Articles of Incorporation and Section 78.1955 of the NPCL by written consent of the Board of Directors of the Corporation on July 10, 2008 and is as follows:

A. There is hereby created from the Five Million (5,000,000) shares of Preferred Stock, par value \$0.01 per share, authorized under the Articles of Incorporation a series of preferred stock designated as Series B Convertible Preferred Stock, par value \$0.01 per share (the “**Series B Preferred Stock**”). The authorized number of shares of the Series B Preferred Stock is Four Thousand (4,000) shares. The number of shares of Series B Preferred Stock may only be increased or decreased as provided in this Certificate of Designation.

B. The rights of the Series B Preferred Stock shall be junior and subordinate to the rights of the Series A Preferred Stock and the Series A-1 Preferred Stock (collectively, the “**Senior Preferred Stock**”) as set forth in the Articles of Incorporation. As long as any shares of Series B Preferred Stock are outstanding, the Series B Preferred Stock will rank senior to the Corporation’s common stock, par value \$0.001 per share (the “**Common Stock**”).

C. The Board of Directors is also authorized to increase or decrease the number of shares of Series B Preferred Stock, prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

D. The rights, preferences and privileges of the Series B Preferred Stock are as follows:

(1) Voting Rights.

(a) Except as otherwise provided herein, in the Articles of Incorporation or as required by law, the holders of the shares of Preferred Stock, including the Series B Preferred Stock (each a “**Holder**,” and collectively the “**Holders**”) and the holders of the Corporation’s shares of Common Stock (the “**Common Stock**”) shall be entitled to vote on all matters submitted or required to be submitted to a vote of the stockholders of the Corporation and shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which such shares of Preferred Stock are convertible pursuant to the provisions hereof, at the record date for the determination of stockholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken or any written consent of stockholders is solicited. In each such case, except as otherwise required by law or expressly provided in **Section 1(b) herein**, the holders of shares of Preferred Stock and shares of Common Stock shall vote together and not as separate classes. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares of Common Stock into which shares of Preferred Stock held by each holder could be converted) shall be rounded down to the nearest whole number.

(b) So long as twenty-five (25%) percent of the shares of Series B Preferred Stock originally issued by the Corporation pursuant to the terms of the Confidential Private Placement Memorandum dated May 22, 2008, of Beacon Enterprise Solutions Group, Inc., a Nevada corporation, (the “**Series B Memorandum**”) remain outstanding (as appropriately adjusted for any recapitalization, stock combinations, stock dividends, stock splits or similar events occurring after the original issuance date of any shares of Series B Preferred Stock, the “**Series B Original Issuance Date**”), the Corporation will not, directly or indirectly, including without limitation through merger, consolidation or otherwise, without the affirmative vote or

written consent of the holders of more than fifty percent (50%) of the then outstanding shares of Series B Preferred Stock, voting as a separate class, given in writing or by resolution adopted at a duly called meeting of the Holders of Series B Preferred Stock:

(i) Declare or pay any dividends on any shares of Common Stock, or other securities of the Corporation, other than accrued dividends of the Series A and Series A-1 Preferred Stock, without first paying in full, in addition to the Series B Preferred Share Dividend (as defined in Section 8 below) accrued and unpaid through and including such date, the amount which the holders of shares of Series B Preferred Stock would have received had the shares of Series B Preferred Stock been converted for shares of Common Stock at the then applicable Conversion Price (as defined in Section 3(c) below); or

(ii) Directly and/or indirectly, designate, issue, create or otherwise permit to exist, any additional shares of Preferred Stock or other securities of the Corporation which, as to the payment of dividends, distribution of assets, redemptions, voting, interest payments, liquidation payments and/or any other type of payment or right, including, without limitation, distributions to be made upon the liquidation, dissolution or winding up of the Corporation, or upon the merger, Change of Control, consolidation or sale of the assets thereof, is directly and/or indirectly senior to and/or pari passu with the shares of Series B Preferred Stock.

(iii) Directly and/or indirectly create, incur or assume any liability or indebtedness for borrowed money (collectively, “New Debt”), unless, after the creation, incurrence or assumption of such New Debt, the Corporation shall have an EBITDA Debt Service Coverage Ratio, calculated on a pro forma trailing twelve (12) month basis that is greater than or equal to two (2). For the purpose of this Section 1(b)(iii), “EBITDA” means in any fiscal period, the Corporation’s net income or net loss (other than extraordinary or non-recurring items of the Corporation for such period), plus (i) the amount of all interest expense, income tax expense, depreciation expense and amortization expense of the Corporation for such period, and plus or minus (as the case may be) (ii) any other non-cash charges which have been added or subtracted, as the case may be, in calculating the Corporation’s net income for such period. If the Corporation’s financial statements are prepared on a consolidated basis, EBITDA shall be calculated on a consolidated basis. For the purpose of this Section 1(b)(iii), “Debt Service” means, as of the last day of each fiscal quarter of the Corporation, on a consolidated basis, principal due within twelve (12) months after such day, and interest on any indebtedness for the current fiscal quarter calculated on an annualized basis. For purposes of this Section 1(b)(iii) “EBITDA Debt Service Coverage Ratio” means EBITDA divided by Debt Service.

(2) Stated Value. Each share of Series B Preferred Stock shall have a “Stated Value” equal to One Thousand Dollars (\$1,000).

(3) Conversion of Shares of Preferred Stock. Shares of Series B Preferred Stock shall be convertible into shares of Common Stock on the terms and conditions set forth in this Section 3. The term “Conversion Shares” shall mean the shares of Common Stock issuable upon conversion of shares of Preferred Stock. The Corporation shall not issue any fractional shares of Common Stock upon any conversion. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series B Preferred Stock by a Holder shall be

aggregated for purposes of determining whether the conversion would result in the issuance of a fractional share of Common Stock. If, after the aforementioned aggregation, the issuance would result in the issuance of a fractional share of Common Stock, the Corporation shall, in lieu of issuing such fractional share, issue one whole share of Common Stock to the Holder thereof. The Corporation shall pay any and all taxes that may be payable with respect to the issuance and delivery of shares of Common Stock upon conversion of shares of Preferred Stock unless such taxes result from the issuance of shares of Common Stock upon conversion to a person other than the Holder.

(a) Optional Conversion. With respect to each share of Series B Preferred Stock, at any time or times on or after the date of issuance of such shares of Series B Preferred Stock (such date for each share of Series B Preferred Stock hereinafter referred to as the “Original Issuance Date”), any Holder shall be entitled to convert all or a portion of such Holder’s shares of Preferred Stock into fully paid and non-assessable shares of Common Stock (each an “Optional Conversion”), in accordance with this Section 3(a), Section 3(c) and Section 3(d).

(b) Mandatory Conversion. Each share of Series B Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Price (the “Mandatory Conversion”), in accordance with this Section 3(b), Section 3(c) and Section 3(d), upon the earlier of:

(i) the closing of an underwritten, firm commitment public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the “Securities Act”), in connection with the offer and sale of shares of Common Stock for the account of the Corporation resulting in gross proceeds to the Corporation of not less than \$20,000,000 (a “Qualified Secondary Offering”); provided that the shares of Common Stock issuable upon the conversion of shares of Preferred Stock (the “Conversion Shares”) are (I) trading or are quoted (as the case may be), on the Bulletin Board, NASDAQ, AMEX or the NYSE (any of which shall hereinafter be referred to as an “Eligible Trading Medium”), and (II) registered under the Securities Act for resale without any selling limitations and/or restrictions longer than 180 days following the closing date of the Qualifying Secondary Offering or the shares may be sold without registration under the Securities Act subject to no direct and/or indirect selling limitations and/or restrictions; or

(ii) the date upon which (A) the shares of Common Stock have for 20 consecutive trading days (1) closed at a price equal to not less than 250% the then Conversion Price, and (2) averaged not less than 200,000 shares per day in volume, (B) there is an effective resale registration statement covering the resale of the Conversion Shares and the Conversion Shares have no direct and/or indirect selling limitations and/or restrictions, or the shares may be sold without registration under the Securities Act subject to no direct and/or indirect

selling limitations and/or restrictions and (C) the Conversion Shares will be traded and/or quoted on an Eligible Trading Medium immediately following such conversion (the “**Mandatory Conversion Date**”).

(c) **Conversion Price.** Subject to anti-dilution adjustment as provided in **Section 3(e)**, upon an Optional Conversion pursuant to **Section 3(a)** or a Mandatory Conversion pursuant to **Section 3(b)**, the conversion price (the “**Conversion Price**”) of each share of Series B

Preferred Stock shall equal \$0.90. Upon a conversion pursuant to **Section 3(a)** or **Section 3(b)**, all accrued and unpaid dividends on shares of Series B Preferred Stock through the date of conversion shall be paid in additional shares of Common Stock as if such dividends had been paid in additional shares of Series B Preferred Stock (based on their stated value) rounded up to the nearest whole number, and then automatically converted into additional shares of Common Stock in accordance with and pursuant to the terms set forth herein. Each share of Series B Preferred Stock will convert into that number of shares of Common Stock determined by dividing the Stated Value by the Conversion Price, as adjusted at the time of conversion.

(d) **Mechanics of Conversion.**

(i) To convert shares of Series B Preferred Stock into Conversion Shares pursuant to **Section 3(a)** on any date, the Holder thereof shall (i) transmit by facsimile (or otherwise deliver), for receipt on or prior to 11:59 p.m. Eastern Time on such date, a copy of an executed notice of conversion (the “**Optional Conversion Notice**”) to the Corporation, and (ii) surrender to a common carrier for delivery to the Corporation within three (3) business days of such date the Preferred Stock Certificates (as hereinafter defined) representing the shares of Series B Preferred Stock being converted (or an indemnification undertaking with respect to such shares in the case of their loss, theft or destruction). The term “**Preferred Stock Certificates**” shall mean the original certificates representing the shares of Series B Preferred Stock.

(ii) Shares of Series B Preferred Stock converted pursuant to **Section 3(b)** shall be deemed to be converted as of the Mandatory Conversion Date notwithstanding the date on which the Preferred Stock Certificates representing the shares of Series B Preferred Stock being converted (or an indemnification undertaking with respect to such shares in the case of their loss, theft or destruction), are submitted to the Corporation in connection with such conversion, and such Series B Preferred Stock Certificates shall be deemed to represent the right to receive Conversion Shares. To receive Conversion Shares subsequent to a Mandatory Conversion, each Holder shall (i) transmit by facsimile (or otherwise deliver) a copy of an executed notice of conversion (the “**Mandatory Conversion Notice**”) to the Corporation, and (ii) surrender to a common carrier for delivery to the Corporation within three (3) business days of such facsimile transmission or delivery such Holder’s Preferred Stock Certificates.

(iii) On or before the third (3rd) Business Day following the date of receipt of a fully executed and completed Optional Conversion Notice or Mandatory Conversion Notice (each a “**Conversion Notice**”), the Corporation shall (x) issue and deliver to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled, or (y) provided that the Conversion Shares have been registered under the Securities Act or the conditions specified in **Section 3(b)(ii)(b)** have been met, upon the request of a Holder, credit such aggregate number of shares of Common Stock to which the Holder shall be entitled to such Holder’s or its designee’s balance account with the Depository Trust Corporation through its Deposit Withdrawal Agent Commission system. If the number of shares of Series B Preferred Stock represented by the Preferred Stock Certificate(s) submitted for conversion pursuant to **Section 3(d)(i)** is greater than the number of shares of Series B Preferred Stock being converted, then the Corporation shall, as soon as practicable and in no event later than three (3) business days after receipt of the Preferred Stock Certificate(s) and at its own expense, issue and deliver to the Holder thereof a new each share of Series B Preferred Stock certificate representing the number of

shares of Series B Preferred Stock not converted. The person or persons entitled to receive the shares of Common Stock issuable upon a conversion of shares of Series B Preferred Stock shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the applicable conversion date.

(e) **Anti-Dilution Provisions.** The Conversion Price in effect at any time and the number and kind of securities issuable upon conversion of the shares of Series B Preferred Stock shall be subject to adjustment from time to time upon the happening of certain events as follows:

(i) **Adjustment for Stock Splits and Combinations.** If the Corporation at any time or from time to time on or after the Original Issuance Date effects a subdivision of the outstanding shares of Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and conversely, if the Corporation at any time or from time to time on or after the Original Issuance Date combines the outstanding shares of Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this **Section 3(e)(i)** shall become effective at the close of business on the date the subdivision or combination becomes effective.

(ii) **Adjustment for Certain Dividends and Distributions.** If the Corporation at any time or from time to time on or after the Original Issuance Date makes or fixes a record date for the determination of holders of shares of Common Stock entitled to receive, a

dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Conversion Price then in effect shall be decreased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date and (2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this **Section 3(e)(ii)** as of the time of actual payment of such dividends or distributions.

(iii) **Adjustments for Other Dividends and Distributions.** In the event the Corporation at any time or from time to time on or after the Original Issuance Date makes, or fixes a record date for the determination of holders of shares of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation other than shares of Common Stock, then and in each such event provision shall be made so that the Holders of shares of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Corporation which they would have received had their shares of Series B Preferred Stock been converted into shares of Common Stock

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on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this **Section 3(e)** with respect to the rights of the Holders of the shares of Series B Preferred Stock.

(iv) **Adjustment for Reclassification, Exchange and Substitution.** In the event that at any time or from time to time on or after the Original Issuance Date, the shares of Common Stock issuable upon the conversion of the shares of Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this **Section 3(e)**), then and in any such event each Holder of shares of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(v) **Reorganizations, Mergers, Consolidations or Sales of Assets.** If at any time or from time to time on or after the Original Issuance Date there is a capital reorganization of the shares of Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this **Section 3(e)**) or a merger or consolidation of the Corporation with or into another corporation, or the sale of all or substantially all of the Corporation's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the Holders of the shares of Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the shares of Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this **Section 3(e)** with respect to the rights of the Holders of the shares of Series B Preferred Stock after the reorganization, merger, consolidation or sale to the end that the provisions of this **Section 3(e)** (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the shares of Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as is practicable.

(vi) **Sale of Shares Below Conversion Price.**

A. If at any time or from time to time following the Original Issuance Date but prior to an event triggering a Mandatory Conversion pursuant to **Section 3(b)** hereof, the Corporation issues or sells, or is deemed by the express provisions of this **Section 3(e)(vi)** to have issued or sold, shares of Additional Common Stock (as hereinafter defined), other than as a dividend or other distribution on any class of stock and other than upon a subdivision or combination of shares of Common Stock, in either case as provided in **Section 3(e)(i)** above, for an Effective Price (as hereinafter

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defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, to a price equal to the Effective Price for such shares of Additional Common Stock.

B. For the purpose of making any adjustment required under **Section 3(e)(vi)**, the consideration received by the Corporation for any issue or sale of securities shall (I) to the extent it consists of cash be computed at the amount of cash received by the Corporation, (II) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (III) if shares of Additional Common Stock, Convertible Securities (as hereinafter defined) or rights or

options to purchase either shares of Additional Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Corporation for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such shares of Additional Common Stock, Convertible Securities or rights or options, and (IV) be computed after reduction for all expenses payable by the Corporation in connection with such issue or sale.

C. For the purpose of the adjustment required under Section 3(e)(vi), if the Corporation issues or sells any rights, warrants or options for the purchase of, or shares or other securities convertible into or exchangeable for, shares of Additional Common Stock (such convertible or exchangeable shares or securities being hereinafter referred to as “**Convertible Securities**”) and if the Effective Price of such shares of Additional Common Stock is less than the Conversion Price then in effect, then in each case the Corporation shall be deemed to have issued at the time of the issuance of such rights, warrants, options or Convertible Securities the maximum number of shares of Additional Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Corporation for the issuance of such rights, warrants, options or Convertible Securities, plus, in the case of such rights, warrants or options, the minimum amounts of consideration, if any, payable to the Corporation upon the exercise of such rights, warrants or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, warrants, options or Convertible Securities, shall be made as a result of the actual issuance of shares of Additional Common Stock on the exercise of any such rights, warrants or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, warrants, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only shares of Additional Common Stock so issued were the shares of Additional Common Stock, if any, actually issued or sold on the exercise of such rights, warrants, or options or rights of conversion or exchange of such Convertible Securities,

and such shares of Additional Common Stock, if any, were issued or sold for the consideration actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation for the granting of all such rights, warrants, or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities.

D. For the purpose of the adjustment required under Section 3(e)(vi), if the Corporation issues or sells, or is deemed by the express provisions of this Section 3(e) to have issued or sold, any rights or options for the purchase of Convertible Securities and if the Effective Price of the shares of Additional Common Stock underlying such Convertible Securities is less than the Conversion Price then in effect, then in each such case the Corporation shall be deemed to have issued at the time of the issuance of such rights or options the maximum number of shares of Additional Common Stock issuable upon conversion or exchange of the total amount of Convertible Securities covered by such rights or options and to have received as consideration for the issuance of such shares of Additional Common Stock an amount equal to the amount of consideration, if any, received by the Corporation for the issuance of such rights, warrants or options, plus the minimum amounts of consideration, if any, payable to the Corporation upon the exercise of such rights, warrants or options, plus the minimum amount of consideration, if any, payable to the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange of such Convertible Securities. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, warrants or options, shall be made as a result of the actual issuance of the Convertible Securities upon the exercise of such rights, warrants or options or upon the actual issuance of shares of Additional Common Stock upon the conversion or exchange of such Convertible Securities. The provisions of paragraph (C) above for the readjustment of the Conversion Price upon the expiration of rights, warrants or options or the rights of conversion or exchange of Convertible Securities shall apply mutatis mutandis to the rights, warrants options and Convertible Securities referred to in this paragraph (D).

E. “**Additional Shares of Common Stock**” shall mean all shares of Common Stock issued by the Corporation on or after the Original Issuance Date, whether or not subsequently reacquired or retired by the Corporation, other than (I) shares of Common Stock issuable upon the conversion of Series A Preferred Stock or Series A-1 Preferred Stock and the Conversion Shares, (II) shares of Common Stock issuable upon exercise of warrants (“**Warrants**”) issued in connection with the sale of the shares of Preferred Stock, (III) shares of Common Stock issuable upon exercise of warrants, options and convertible securities outstanding as of the Original Issuance Date (provided that the terms of such warrants, options and convertible securities are not modified after the Original Issuance Date to adjust the exercise price other than pursuant to anti-dilution provisions), (IV) shares of Common Stock issued to employees of the Corporation or any Subsidiary pursuant to stock option plans or other arrangements approved by the Board or pursuant to guidelines approved by the Board or upon exercise

of options or warrants granted to such parties pursuant to any such plan or arrangement, (V) shares of Common Stock issued in connection with acquisitions, mergers, joint ventures and other similar transactions approved by the Board, (VI) shares of Common

Stock issued pursuant to any event for which adjustment is made to the Conversion Price under **Section 3(e)** hereof or to the exercise price under the anti-dilution provisions of any warrants outstanding as of the Original Issuance Date or the Warrants, (VII) shares of Common Stock issued or issuable to customers, suppliers or other strategic partners provided that such issuance is approved by the Board, (VIII) shares of Common Stock issued or issuable to banks, equipment lessors or other financial institutions pursuant to a commercial leasing or debt financing transaction approved by the Board, (IX) any other issuance of securities approved by an affirmative vote or written consent of the holders of more than fifty percent (50%) of the then outstanding shares of Preferred Stock. The “**Effective Price**” of shares of Additional Common Stock shall mean the quotient determined by dividing the total number of shares of Additional Common Stock issued or sold, or deemed to have been issued or sold by the Corporation under this **Section 3(e)(vi)**, into the aggregate consideration received, or deemed to have been received, by the Corporation for such issue under this **Section 3(e)(vi)**, for such shares of Additional Common Stock. “**Fair Market Value**” shall mean as of any date (i) if the shares of Common Stock are listed on a national securities exchange, the average of the closing prices as reported for composite transactions during the twenty (20) consecutive trading days preceding the trading day immediately prior to such date or, if no sale occurred on a trading day, then the mean between the closing bid and asked prices on such exchange on such trading day; (ii) if shares of Common Stock are not so listed but are traded on the NASDAQ, the average of the closing prices as reported on the NASDAQ during the twenty (20) consecutive trading days preceding the trading day immediately prior to such date or, if no sale occurred on a trading day, then the mean between the highest bid and lowest asked prices as of the close of business on such trading day, as reported on the NASDAQ; or if not then included for quotation on the NASDAQ, the average of the highest reported bid and lowest reported asked prices as reported by the OTC Bulletin Board, as the case may be, or (iii) if the shares of Common Stock are not then publicly traded, the fair market price, not less than book value thereof, of the shares of Common Stock as determined in good faith by the Board.

F. Other than a reduction pursuant to its applicable anti-dilution provisions, any reduction in the conversion price of any Convertible Securities, whether outstanding on the Original Issuance Date or thereafter, or the price of any option, warrant or right to purchase shares of Common Stock or any Convertible Security (whether such option, warrant or right is outstanding on the Original Issuance Date or thereafter), to an Effective Price less than the current Conversion Price, shall be deemed to be an issuance of such Convertible Security and all such options, warrants or rights at such Effective Price, and the provisions of **Sections 3(e)(vi)(C), (D) and (E)** shall apply thereto mutatis mutandis.

G. Any time an adjustment is made to the Conversion Price pursuant to **Section 3(e)**, a corresponding proportionate change shall be made to the number of shares of Common Stock issuable upon conversion of each share of Preferred Stock.

(f) **No Impairment.** The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this **Section 3** and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Holders of the shares of Preferred Stock against impairment.

(g) **Certificate as to Adjustments.** Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this **Section 3**, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each Holder of shares of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any Holder of shares of Preferred Stock, furnish or cause to be furnished to such Holder a like certificate setting forth (i) such adjustments and readjustments, (ii) Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of the shares of Preferred Stock.

(h) **Status of Converted Shares.** In the event any shares of Series B Preferred Stock shall be converted pursuant to **Section 3** hereof, the shares of Series B Preferred Stock so converted shall be canceled and shall not be reissued as shares of Series B Preferred Stock.

(i) **Stock Purchase Rights.** If at any time or from time to time, the Corporation grants or issues to the record holders of the shares of Common Stock any options, warrants or rights (collectively, “**Stock Purchase Rights**”) entitling any holder of shares of Common Stock to purchase shares of Common Stock or any security convertible into or exchangeable for shares of Common Stock or to purchase any other stock or securities of the Corporation, the Holders of shares of Series B Preferred Stock shall be entitled to acquire, upon the terms applicable to such Stock Purchase Rights, the aggregate Stock Purchase Rights which such Holders of shares of Series B Preferred Stock could have acquired if they had been the record holder of the maximum number of shares of Common Stock issuable upon conversion of their shares of Series B Preferred Stock on both (x) the record date for such grant or issuance of such Stock Purchase Rights, and (y) the date of the grant or issuance of such Stock Purchase Rights.

(4) Assumption and Provision Upon Organic Change. Prior to the consummation of any Organic Change (as defined below), the Corporation shall make appropriate provision to ensure that each of the Holders of the shares of Series B Preferred Stock will thereafter have the right to acquire and receive in lieu of or in addition to (as the case may be) the shares of Common Stock immediately theretofore acquirable and receivable upon the conversion of such Holder’s shares of Series B Preferred Stock such shares of stock, securities or assets that would have been issued or payable in such Organic Change with respect to or in exchange for the number of shares of Common Stock which would have been acquirable and receivable upon the conversion of such Holder’s shares of Series B Preferred Stock into shares of Common Stock immediately prior to such Organic Change. The following shall constitute an “**Organic Change**”: any recapitalization, reorganization, reclassification, consolidation or merger, sale of all or substantially all of the Corporation’s assets to another Person or

holders of shares of Common Stock are entitled to receive (either directly or upon subsequent liquidation) shares, securities or assets with respect to or in exchange for shares of Common Stock.

(5) Reservation of Authorized Shares. The Corporation shall, so long as any of the shares of Series B Preferred Stock are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of Series B Preferred Stock, 100% of such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all of the shares of Series B Preferred Stock then outstanding.

(6) Liquidation, Dissolution, Winding-Up. In the event of any Liquidation (as defined below) of the Corporation, the Holders of the shares of Series B Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available for distribution therefrom (the “**Liquidation Funds**”) on a pro rata basis, after the liquidation amounts payable to holders of Series A Preferred Stock and Series A-1 Preferred Stock have been paid as set forth in the Articles of Incorporation and before any amount shall be paid to the holders of any of the capital stock of the Corporation of any class junior in rank to the shares of Series B Preferred Stock in respect of the preferences as to the distributions and payments on a Liquidation of the Corporation, an amount per each share of Preferred Stock equal to the product of (i) 125% and (ii) the sum of (a) the Stated Value of all shares of Series B Preferred Stock then outstanding and (b) all dividends, if any, which have accrued or are payable under **Section 8** hereof, but have not been paid and received by the Holders of the shares of Preferred Stock, up to and including the date full payment is tendered to the Holder of such each share of Series B Preferred Stock with respect to such Liquidation (collectively, the “**Non Change of Control Liquidation Preference**”); provided, however, that notwithstanding anything to the contrary provided herein or elsewhere, in the event that a Liquidation is caused as a result of a Change of Control (as defined below), each Holder of shares of Preferred Stock shall be entitled to receive in addition to the Non Change of Control Liquidation Preference, such additional amounts that each such Holder would have received in the Liquidation, had it converted its shares of Series B Preferred Stock into shares of Common Stock immediately prior to the Liquidation. If, upon any Liquidation, the Liquidation Funds are insufficient to pay, issue or deliver the full amount due to the Holders of shares of Series B Preferred Stock (after full payment has been made to the holders of Series A Preferred Stock and Series A-1 Preferred Stock as is set forth in the Articles of Incorporation), then each holder of shares of Series B Preferred Stock shall receive, prior to any payment to holders of shares of Common Stock, a percentage of the Liquidation Funds (up to 100%) equal to the full amount of remaining Liquidation Funds payable to such holder as a liquidation preference, as a percentage of the full liquidation amount payable to all holders of shares of Series B Preferred Stock. In no event shall the holders of shares of Series B Preferred Stock receive any Liquidation Funds until the entire liquidation amount has been paid with respect to each outstanding share of Series A Preferred Stock and Series A-1 Preferred Stock. No Holder of shares of Series B Preferred Stock shall be entitled to receive any amounts with respect thereto upon any Liquidation other than the amounts provided for herein; provided that a Holder of shares of Series B Preferred Stock shall be entitled to all amounts previously accrued with respect to amounts owed hereunder. The form of consideration in which the Liquidation Preference is to be paid to the Holders of the shares of Series B Preferred Stock as provided in this **Section (6)** shall be the form of consideration received by the Corporation or the other holders of the Corporation’s capital stock, as the case may be.

“**Liquidation**” means any of the following: (i) any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, (ii) filing for bankruptcy pursuant to applicable federal and/or state laws, (iii) any actions that directly and/or indirectly are construed as steps in taking the Corporation private, including, but not limited to, failure to file SEC Reports in a timely fashion, the Corporation, any affiliate of the Corporation and/or any person at the direct and/or indirect request of the Corporation buying shares of issued and outstanding Corporation Stock, of the filing of a Form 15, the shares of Common Stock no longer are eligible for quotation on the NASD Bulletin Board, the Corporation’s Board of Directors and/or shareholders meeting and/or through resolutions, adopts or calls a meeting authorizing the Corporation to undertake any of the above such actions (“**Going Private Actions**”), or (iv) any Change of Control.

“**Change of Control**” means (i) a change in the voting control of the Corporation such that any one person, entity or “group” (as contemplated by Rule 13d-5(b)(1) under the Securities Exchange Act of 1934, as amended) acquires from the Corporation in one or more, including a series of, transactions the right to cast greater than 50% of votes eligible to be cast by all holders of capital stock of the Corporation in the election of directors of the Corporation, provided that such transaction is approved by the Board or (ii) any merger or consolidation of the Corporation with or into another entity or any sale of all or substantially all of the assets of the Corporation.

(7) Preferred Rank. The rights of the shares of Series B Preferred Stock, to the extent applicable and as set forth herein, shall be subject to the preferences and relative rights of the shares of Series A Preferred Stock and Series A-1 Preferred Stock.

(8) Dividends; Participation. Each share of Series B Preferred Stock shall accrue and be paid a dividend at the rate of six (6%) percent per annum of the Stated Value, payable quarterly in arrears on January 1st, April 1st, July 1st and October 1st of each year and for such whole year (or portion thereof) that such shares of Series B Preferred Stock are issued and outstanding (the “**Series B Preferred Share Dividend**”) beginning on the date each such shares of Series B Preferred Stock is issued (including upon issuance as a stock dividend). The dividend payments shall be made in either cash or at the option of the Corporation through the issuance of additional shares of Series B Preferred Stock in such amount of shares of Series B Preferred Stock equal to the quotient of (i) the dividend amount payment then due, divided by (ii) the Stated Value of one share of Series B Preferred Stock. In no event shall any cash dividends be paid upon the shares of Series B Preferred Stock unless the accrued cash dividends upon the shares of Series A Preferred Stock and Series A-1 Preferred Stock have been paid in full.

(9) Vote to Issue, or Change the Terms of Shares of Series B Preferred Stock. The affirmative vote of the Holders owning not less than a majority of the aggregate Stated Value of the then issued and outstanding shares of Series B Preferred Stock at a meeting duly called for such purpose, or by the written consent without a meeting of the Holders of not less than a majority of the then outstanding shares of Series B Preferred Stock shall be required for any direct and/or indirect amendment to the Corporation's Articles of Incorporation, this Certificate of Designation or Bylaws which would directly and/or indirectly amend, alter, change, repeal or otherwise adversely affect any of the powers, designations, preferences and rights of the shares of Series B Preferred Stock.

(10) Lost or Stolen Certificates. Upon receipt by the Corporation of evidence reasonably satisfactory to the Corporation of the loss, theft, destruction or mutilation of any Preferred Stock Certificates representing shares of Series B Preferred Stock, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Corporation in customary form and, in the case of mutilation, upon surrender and cancellation of the shares of Preferred Stock Certificate(s), the Corporation shall execute and deliver new preferred share certificate(s) of like tenor and date.

Notices. Whenever notice is required to be given hereunder, unless otherwise provided herein, such notice shall be given in writing and will be mailed by certified mail, return receipt requested, or delivered against receipt to the party to whom it is to be given (a) if to the Corporation, at the Corporation's executive offices or (b) if to a Holder, at the address set forth on Corporation's books and records.

IN WITNESS WHEREOF, this Certificate of Designation was duly adopted by the Board in accordance with the Articles of Incorporation and Section 78.1955 of the NPCL and executed as of June 16, 2008.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.,
a Nevada corporation

By: /s/ Bruce Widener

Bruce Widener
Chief Executive Officer

NEITHER THIS WARRANT NOR THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE AFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

**WARRANT TO PURCHASE

SHARES
OF COMMON STOCK
(SUBJECT TO ADJUSTMENT)
(Void after _____, 2013)**

Investor Warrant No: _____, 2008

This certifies that for value, [INVESTOR NAME], or registered assigns (the "**Holder**"), is entitled, subject to the terms set forth below, at any time from and after _____, 2008 (the "**Original Issuance Date**") and before 5:00 p.m., Eastern Time, on _____, 2013 (the "**Expiration Date**"), to purchase from Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "**Company**"), _____ (_____) shares (subject to adjustment as described herein), of common stock, par value \$0.001 per share, of the Company (the "**Common Stock**"), upon surrender hereof, at the principal office of the Company referred to below, with a duly executed subscription form in the form attached hereto as **Exhibit A** and simultaneous payment therefor in lawful, immediately available money of the United States or otherwise as hereinafter provided, at an initial exercise price per share of \$1.20 (the "**Purchase Price**"). The Purchase Price is subject to further adjustment as provided in Section 4 below. The term "**Common Stock**" shall include, unless the context otherwise requires, the stock and other securities and property at the time receivable upon the exercise of this Warrant. The term "**Warrant**," as used herein, shall mean this Warrant and any other Warrants delivered in substitution or exchange therefor as provided herein.

This Warrant was issued in connection with a private placement (the "**Offering**") of Series B Preferred Stock of Beacon Enterprise Solutions Group, Inc., an Indiana corporation, and warrants to purchase Common Stock of the Company.

1. **Exercise.** This Warrant may be exercised at any time or from time to time from and after the Original Issuance Date and before 5:00 p.m., Eastern Time, on _____, 2013, on any business day, for the full number of shares of Common Stock called for hereby, by surrendering it at the principal office of the Company, at 124 N. First Street, Louisville, Kentucky 40202 (the "**Principal Office**"), with the subscription form duly executed, together with payment in an amount equal to (a) the number of shares of Common Stock called for on the face of this Warrant, multiplied (b) by the Purchase Price. Payment of the Purchase Price may be made by payment in immediately available funds. This Warrant may be exercised for less than the full number of shares of Common Stock at the time called for hereby, except that the number of shares receivable upon the exercise of this Warrant as a whole, and the sum payable upon the exercise of this Warrant as a whole, shall be proportionately reduced. Upon a partial exercise of this Warrant in accordance with the terms hereof, this Warrant shall be surrendered, and a new Warrant of the same tenor and for the purchase of the number of such shares not purchased upon such exercise shall be issued by the Company to Holder without any charge therefor. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of its surrender for exercise as provided above, and the person entitled to receive the shares of Common Stock issuable upon such exercise shall be treated for all purposes as the holder of such shares of record as of the close of business on such date. Within two (2) business days after such date, the Company shall issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the number of full shares of Common Stock issuable upon such exercise, together with cash, in lieu of any fraction of a share, equal to such fraction of the then Fair Market Value on the date of exercise of one full share of Common Stock.

"**Fair Market Value**" shall mean, as of any date: (i) if shares of the Common Stock are listed on a national securities exchange, the average of the closing prices as reported for composite transactions during the ten (10) consecutive trading days preceding the trading day immediately prior to such date or, if no sale occurred on a trading day, then the mean between the closing bid and asked prices on such exchange on such trading day; (ii) if shares of the Common Stock are not so listed but are traded on the NASDAQ Global Market ("**NGM**"), the average of the closing prices as reported on the NGM during the ten (10) consecutive trading days preceding the trading day immediately prior to such date or, if no sale occurred on a trading day, then the mean between the highest bid and lowest asked prices as of the close of business on such trading day, as reported on the NGM; or if applicable, the Nasdaq Capital Market ("**NCM**"), (iii) if not then included for quotation on the NGM or the NCM, the average of the highest reported bid and lowest reported asked prices as reported by the OTC Bulletin Board of the National Quotation Bureau, as the case may be; or (iv) if the shares of the Common Stock are not then publicly traded, the fair market price of the Common Stock as determined in good faith by the independent members of the Board of Directors of the Company and the Holders of a majority of the then outstanding Warrants.

2. **Shares Fully Paid; Payment of Taxes.** All shares of Common Stock issued upon the exercise of this Warrant shall be validly issued, fully paid and non-assessable, and the Company shall pay all taxes and other governmental charges (other than income taxes to the holder) that may be imposed in respect of the issue or delivery thereof.

3. Transfer and Exchange. (a) Neither this Warrant nor the Common Stock to be issued upon exercise hereof (the “**Warrant Shares**”) have been registered under the Act or any

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state securities laws (“**Blue Sky Laws**”). This Warrant has been acquired for investment purposes and not with a view to distribution or resale and may not be pledged, hypothecated, sold, made subject to a security interest, or otherwise transferred without: (i) an effective registration statement for such Warrant under the Act and such applicable Blue Sky Laws; or (ii) an opinion of counsel reasonably satisfactory to the Company that registration is not required under the Act or under any applicable Blue Sky Laws.

(b) Upon compliance with applicable federal and state securities laws as set forth in Section 3(a), above, this Warrant and all rights hereunder are transferable, in whole or in part, on the books of the Company maintained for such purpose at its Principal Office by the Holder in person or by duly authorized attorney, upon surrender of this Warrant together with a completed and executed assignment form in the form attached hereto as Exhibit B, and payment of any necessary transfer tax or other governmental charge imposed upon such transfer. Upon any partial transfer, the Company will issue and deliver to the assignee a new Warrant with respect to the shares of Common Stock for which it is exercisable that have been transferred, and will deliver to the Holder a new Warrant or Warrants with respect to the shares of Common Stock not so transferred. A Warrant may be transferred only by the procedure set forth herein. No transfer shall be effective until such transfer is recorded on the books of the Company, provided that such transfer is recorded promptly by the Company, and until such transfer on such books, the Company shall treat the registered Holder hereof as the owner of the Warrant for all purposes.

(c) This Warrant is exchangeable at the Principal Office for two or more new Warrants, each in the form of this Warrant, to purchase the same aggregate number of shares of Common Stock, each new Warrant to represent the right to purchase such number of shares as the Holder shall designate at the time of such exchange, but which shall not exceed the total number of shares for which this Warrant may be from time to time exercisable.

(d) Transfer of the Warrant Shares issued upon the exercise of this Warrant shall be restricted in the same manner and to the same extent as the Warrant, and the certificates representing such Warrant Shares shall bear substantially the following legend, until such Warrant Shares have been registered under the Act or may be removed as otherwise permitted under the Act:

“THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED UNTIL (i) A REGISTRATION STATEMENT UNDER THE ACT OR SUCH APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (ii) IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, REGISTRATION UNDER THE ACT OR SUCH APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER.”

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(e) The Holder and the Company agree to execute such other documents and instruments as counsel to the Company deems necessary to effect the compliance of the issuance of this Warrant and any Warrant Shares issued upon exercise hereof with applicable federal and state securities laws, including compliance with applicable exemptions from the registration requirements of such laws.

4. Anti-Dilution Provisions. The Purchase Price in effect at any time and the number and kind of securities issuable upon conversion of this Warrant shall be subject to adjustment from time to time upon the happening of certain events as follows:

A. Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time on or after the date of Warrant issuance (the “**Original Issuance Date**”) effects a subdivision of the outstanding Common Stock, the Purchase Price then in effect immediately before that subdivision shall be proportionately decreased, and conversely, if the Company at any time or from time to time on or after the Original Issuance Date combines the outstanding shares of Common Stock into a smaller number of shares, the Purchase Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this **Section 4(A)** shall become effective at the close of business on the date the subdivision or combination becomes effective.

B. Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time on or after the Original Issuance Date makes or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Purchase Price then in effect shall be decreased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Purchase Price then in effect by a fraction (1) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date and (2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Purchase Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Purchase Price shall be adjusted pursuant to this **Section 4(B)** as of the time of actual payment of such dividends or distributions.

C. Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time on or after the

Original Issuance Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the Holders of Warrants shall receive upon exercise thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Warrants been exercised into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments

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called for during such period under this Section 4 with respect to the rights of the Holders of the Warrants.

D. Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time on or after the Original Issuance Date, the Common Stock issuable upon the exercise of the Warrants is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 4), then and in any such event each Holder of Warrants shall have the right thereafter to exercise such Warrant to receive the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Common Stock for which such Warrants could have been exercised immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

E. Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time on or after the Original Issuance Date there is a capital reorganization of the Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 4) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the Holders of the Warrants shall thereafter be entitled to receive upon exercise of the Warrants the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the Holders of the Warrants after the reorganization, merger, consolidation or sale to the end that the provisions of this Section 4 (including adjustment of the Purchase Price then in effect and the number of shares to be received upon exercise of the Warrants) shall be applicable after that event and be as nearly equivalent as may be practicable.

F. No Adjustments in Certain Circumstances. No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one (\$0.01) cent in such price; provided, however, that any adjustments which by reason of this Section 4(G) are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder. All calculations under this Section 4(G) shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

5. Notices of Record Date. In case:

A. the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time receivable upon the exercise of the Warrants) for the purpose of entitling them to receive any dividend or other distribution, or any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, or

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B. of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation or merger of the Company with or into another corporation, or any conveyance of all or substantially all of the assets of the Company to another corporation, or

C. of any voluntary dissolution, liquidation or winding-up of the Company; then, and in each such case, the Company will mail or cause to be mailed to each holder of a Warrant at the time outstanding a notice specifying, as the case may be, (a) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (b) the date on which such reorganization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding-up is expected to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such stock or securities at the time receivable upon the exercise of the Warrants) shall be entitled to exchange their shares of Common Stock (or such other stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding-up, such notice shall be mailed at least ten (10) days prior to the date therein specified.

6. Loss or Mutilation. Upon receipt by the Company of evidence satisfactory to it (in the exercise of reasonable discretion) of the ownership of and the loss, theft, destruction or mutilation of any Warrant and (in the case of loss, theft or destruction) of indemnity satisfactory to it (in the exercise of reasonable discretion), and (in the case of mutilation) upon surrender and cancellation thereof, the Company will execute and deliver in lieu thereof a new Warrant of like tenor.

7. Reservation of Common Stock. The Company shall at all times reserve and keep available for issue upon the exercise of Warrants

such number of its authorized but unissued shares of Common Stock as will be sufficient to permit the exercise in full of all outstanding Warrants. All of the shares of Commons Stock issuable upon the exercise of the rights represented by this Warrant will, upon issuance and receipt of the Purchase Price therefor, be fully paid and nonassessable, and free from all preemptive rights, rights of first refusal or first offer, taxes, liens and charges of whatever nature, with respect to the issuance thereof.

8. No Rights as Stockholder Conferred by Warrants. The Warrant shall not entitle the Holder hereof to any of the rights, either at law or in equity, of a stockholder of the Company. The Holder shall, upon the exercise thereof, not be entitled to any dividend that may have accrued or which may previously have been paid with respect to shares of stock issuable upon the exercise of the Warrant, except as may otherwise be provided in **Section 4** hereof.

9. Notices. All notices and other communications from the Company to the Holder of this Warrant shall be mailed by first class, registered or certified mail, postage prepaid, and/or a nationally recognized overnight courier service to the address furnished to the Company in writing by the Holder.

10. Change; Modifications; Waiver. No terms of this Warrant may be amended, waived or modified except by the express written consent of the Company and the holders of not

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less than 50.1% of the shares of Common Stock then issuable under outstanding Warrants issued in connection with the Offering.

11. Endorsement of Warrants. The Warrant when presented or surrendered for exchange, transfer or registration shall be accompanied (if so required by the Company) by an assignment in the form attached hereto as **Exhibit B** or such other written instrument of transfer, in form satisfactory to the Company, duly executed by the registered Holder or by his duly authorized attorney.

12. Agreement of Warrant Holders. The Holder, and to the extent that portions of this Warrant are assigned and there is more than one Holder of warrants exercisable for the Warrant Shares, every holder of a Warrant, by accepting the same, consents and agrees with the Company and with all other Warrant holders that: (a) the Warrants are transferable only as permitted by **Section 3** above; (b) the Warrants are transferable only on the registry books of the Company as herein provided; and (c) the Company may deem and treat the person in whose name the Warrant certificate is registered as the absolute owner thereof and of the Warrants evidenced thereby for all purposes whatsoever, and the Company shall not be affected by any notice to the contrary,

13. Payment of Taxes. The Company will pay all stamp, transfer and other similar taxes payable in connection with the original issuance of this Warrant and the shares of Common Stock issuable upon exercise thereof, provided, however, that the Company shall not be required to (i) pay any such tax which may be payable in respect of any transfer involving the transfer and delivery of this Warrant or the issuance or delivery of certificates for shares of Common Stock issuable upon exercise thereof in a name other than that of the registered Holder of this Warrant or (ii) issue or deliver any certificate for shares of Common Stock upon the exercise of this Warrant until any such tax required to be paid under clause (i) shall have been paid, all such tax being payable by the holder of this Warrant at the time of surrender.

14. Fractional Interest. The Company shall not be required to issue fractional shares of Common Stock on the exercise of this Warrant. If more than one Warrant shall be presented for exercise at the same time by the Holder, the number of full shares of Common Stock which shall be issuable upon such exercise shall be computed on the basis of the aggregate number of shares of Common Stock acquirable on exercise of the Warrants so presented. If any fraction of a share of Common Stock would, except for the provisions of this **Section 15**, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall pay an amount in cash calculated by it to be equal to the Purchase Price per share multiplied by such fraction computed to the nearest whole cent. The Holder by his acceptance of this Warrant expressly waives any and all rights to receive any fraction of a share of Common Stock or a stock certificate representing a fraction of a share of Common Stock.

15. Entire Agreement. This Warrant constitutes the full and entire understanding and agreement among the parties with regard to the subject matter hereof and no party shall be liable or bound to any other party in any manner by any representations, warranties, covenants or agreements except as specifically set forth herein.

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16. Successors and Assigns. All covenants and provisions of this Warrant by or for the benefit of the Company or the Holder of this Warrant shall bind and inure to the benefit of their respective successors, permitted assigns, heirs and personal representatives.

17. Termination. This Warrant shall terminate at 5:00 p.m., Eastern Time, on the Expiration Date or upon such earlier date on which all of this Warrant has been exercised (the "**Termination Date**").

18. Headings. The headings in this Warrant are for purposes of convenience in reference only, and shall not be deemed to constitute a part hereof.

19. Governing Law, Etc. This Agreement shall be governed by and construed exclusively in accordance with the internal laws of the State of New York without regard to the conflicts of laws principles thereof. The parties hereto hereby irrevocably agree that any suit or

proceeding arising directly and/or indirectly pursuant to or under this Agreement, shall be brought solely in a federal or state court located in the City, County and State of New York. By its execution hereof, the parties hereby covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in the City, County and State of New York and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in New York City. The parties hereto waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding, the party prevailing therein shall be entitled to payment from the other party hereto of all of its reasonable legal fees and expenses.

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WARRANT SIGNATURE PAGE

Dated: _____, 2008

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: _____
Name: Bruce Widener
Title: Chief Executive Officer

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EXHIBIT A

SUBSCRIPTION FORM

(To be executed only upon exercise of Warrant)

The undersigned registered owner of this Warrant irrevocably exercises this Warrant and purchases _____ shares of the Common Stock of Beacon Enterprise Solutions Group, Inc. purchasable with this Warrant, and herewith makes payment therefor (either in cash or pursuant to the cashless exercise provisions set forth in **Section 1** of the Warrant), all at the price and on the terms and conditions specified in this Warrant.

Dated: _____

(Signature of Registered Owner)

(Street Address)

(City / State / Zip Code)

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EXHIBIT B

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered owner of this Warrant hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock set forth below:

Name of Assignee

Address

Number of Shares

and does hereby irrevocably constitute and appoint _____ Attorney to make such transfer on the books of Beacon Enterprise Solutions Group, Inc., maintained for the purpose, with full power of substitution in the premises.

Dated: _____

(Signature)

(Witness)

The undersigned Assignee of the Warrant hereby makes to Beacon Enterprise Solutions Group, Inc., as of the date hereof, with respect to the Assignee, all of the representations and warranties made by the Holder, and the undersigned Assignee agrees to be bound by all the terms and conditions of the Warrant.

Dated: _____

(Signature)

THE WARRANTS REPRESENTED BY THIS CERTIFICATE AND THE SECURITIES THAT MAY BE ISSUED UPON EXERCISE OF THE WARRANTS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

Warrant No. []

Dated: [], 2008

Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "**Company**"), hereby certifies that, for value received, [Name of Holder] or its registered assigns (the "**Holder**"), is entitled to purchase from the Company up to a total of [] shares of common stock, \$0.001 par value per share (the "**Common Stock**"), of the Company (each such share, a "**Warrant Share**" and all such shares issuable under the warrants, the "**Warrant Shares**") at an exercise price equal to the \$1.00 per share (as adjusted from time to time as provided in Section 9, the "**Exercise Price**"), at any time and from the date hereof and through and including the date that is five (5) years from the date of issuance hereof (the "**Expiration Date**"), and subject to the following terms and conditions. This Warrant ("**Warrant**") is one of a series of similar warrants issued pursuant to that certain Subscription Agreement, dated as of [], 2008, by and among the Company and the Investors identified therein (the "**Subscription Agreement**"). All such warrants are referred to herein, collectively, as the "**Warrants**" and the holders thereof along with the Holder named herein, the "**Holders**."

1. Definitions. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Subscription Agreement.

2. Registration of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "**Warrant Register**"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. The Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto duly completed and signed, to the Company's transfer agent or to the Company at its address specified herein. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a "**New Warrant**"), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrants.

(a) This Warrant shall be exercisable by the registered Holder at any time and from time to time on or after the date hereof to and including the Expiration Date. At 6:30 P.M., New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value.

(b) A Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached hereto (the "**Exercise Notice**"), appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (which may take the form of a "cashless exercise" if so indicated in the Exercise Notice only if a "cashless exercise" may occur at such time pursuant to Section 10 below), and the date such items are delivered to the Company (as determined in accordance with the notice provisions hereof) is an "**Exercise Date**." The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice shall have the same effect as cancellation of the original Warrant and issuance of a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(c) Exercise Disputes. In the case of any dispute with respect to the number of shares to be issued upon exercise of this Warrant, the Company shall promptly issue such number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the Holder via fax (or, if the Holder has not provided the Company with a fax number, by overnight courier) within two (2) Business Days of receipt of the Holder's election to purchase Warrant Shares. If the Holder and the Company are unable to agree as to the determination of the Purchase Price within two (2) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall in accordance with this Section, submit via facsimile the disputed determination to an independent reputable accounting firm of national standing, selected jointly by the Company and the Holder. The Company shall cause such accounting firm to perform the determinations or calculations and notify the Company and the Holder of the results as promptly as possible from the time it receives the disputed determinations or calculations. Such accounting firm's determination shall be binding upon all parties absent manifest error. The Company shall then on the next Business Day issue certificate(s) representing the appropriate number of Warrant Shares of Common Stock in accordance with such accounting firm's

5. Delivery of Warrant Shares.

(a) Upon exercise of this Warrant, the Company shall promptly (but in no event later than five Trading Days after the Exercise Date) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder and in such name or names as the Holder may designate, a certificate for the Warrant Shares to which the Holder is entitled upon such exercise, free of restrictive legends unless a registration statement covering the resale of the Warrant Shares and naming the Holder as a selling stockholder thereunder is not then effective and the Warrant Shares are not freely transferable pursuant to Rule 144 under the Securities Act of 1933, as amended. The Company shall, upon request of the Holder, use its best efforts to deliver Warrant Shares hereunder electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. For the purposes hereof, the term "Trading Day" means (a) any day on which the Common Stock is listed or quoted and traded on its primary trading market, (b) if the Common Stock is not then listed or quoted and traded on any trading market, then a day on which trading occurs on the Nasdaq Global Market (or any successor thereto), or (c) if trading ceases to occur on the Nasdaq Global Market (or any successor thereto), any Business Day.

(b) This Warrant is exercisable, either in its entirety or, from time to time, for a portion of the number of Warrant Shares. Upon surrender of this Warrant following one or more partial exercises, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(c) Intentionally Omitted.

(d) The Company's obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses. Issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may

be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable bond or indemnity, if requested. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe.

8. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, 100% of the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (after giving effect to the adjustments and restrictions of Section 9, if any). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Common Stock may be listed.

9. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, or (iii) combines outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination.

(b) Distributions Made Prior to Exercise. If the Company, at any time while this Warrant is outstanding, distributes to all of the holders of Common Stock (i) evidences of its indebtedness, (ii) any security (other than a distribution of Common Stock covered by Section

9(a)), (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other asset (in each case, a “**Distribution**”), then in each such case any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which (i) the numerator shall be the Weighted Average Price¹ of the Common Stock on the Trading Day immediately preceding such record date minus the value of the Distribution (as determined in good faith by the Company’s Board of Directors) applicable to one share of Common Stock, and (ii) the denominator shall be the Weighted Average Price of the Common Stock on the Trading Day immediately preceding such record date.

(c) Notwithstanding the provisions set forth in Section 9(b) above, if the Company, at any time while this Warrant is outstanding, makes a Distribution to the holders of Common Stock, then in each such case the Holder shall have the option to receive such Distribution which would have been made to the Holder had such Holder been the holder of such Warrant Shares on the record date for the determination of stockholders entitled to such Distribution; provided, however, if the Holder elects to receive such Distribution, it will not be entitled to receive the adjustment to the Exercise Price specified in clause (b) above.

(d) Fundamental Transactions. If, at any time during the term of this Warrant, (i) the Company effects any merger or consolidation of the Company with or into (whether or not the Company is the surviving corporation) another Person, (ii) the Company effects any sale, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions; provided, however, that for avoidance of doubt, the granting of a lien on all or substantially all of the Company’s assets as collateral shall not be deemed a Fundamental Transaction hereunder, (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of either the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business

¹ “Weighted Average Price” means, for any security as of any date, the dollar volume-weighted average price for such security on NASDAQ during the period beginning at 9:30:01 a.m., New York Time (or such other time as NASDAQ publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York Time (or such other time as NASDAQ publicly announces is the official close of trading) as reported by Bloomberg (means Bloomberg Financial Markets) through its “Volume at Price” functions, or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York Time (or such other time as such Principal Market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York Time (or such other time as such market publicly announces is the official close of trading) as reported by Bloomberg, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the “pink sheets” by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Weighted Average Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Company in good faith. All such determinations shall be appropriately adjusted for any share dividend, share split, share combination or other similar transaction during the applicable calculation period.

combination), or (v) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Common Stock covered by Section 9(a) above) (in any such case, a “**Fundamental Transaction**”), then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of the number of Warrant Shares then issuable upon exercise in full of this Warrant (the “**Alternate Consideration**”). The aggregate Exercise Price for this Warrant will not be affected by any such Fundamental Transaction, but the Company shall apportion such aggregate Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. At the Holder’s request, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant consistent with the foregoing provisions and evidencing the Holder’s right to purchase the Alternate Consideration for the aggregate Exercise Price upon exercise thereof. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this paragraph (d) and insuring that the Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

(e) Weighted Average Anti-Dilution Price Protection. The Exercise Price of Warrant Shares (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant shall be subject to adjustment from time to time, as follows:

(1) “New Securities” shall mean any Common Stock or preferred stock of Company issued during the term of this Warrant, whether now authorized or not, and rights, options or warrants to purchase said Common Stock or preferred stock, and securities of any type whatsoever that are, or may become, convertible into said Common Stock or preferred stock (including but not limited to convertible debt or any other instrument exercisable for or convertible into Common Stock); provided, however, that “New Securities” does not include (i) any securities issued or issuable pursuant to any of the notes, options, warrants or other securities outstanding as of the date of the closing of the offering pursuant to the Subscription Agreement, including all Warrants; (ii) the issuance or sale of any shares of capital stock, or the grant of options exercisable therefor, issued or issuable after the date of this Warrant, to directors, officers, employees, advisers and consultants of the Company or any subsidiary pursuant to any incentive or non-qualified stock option plan or agreement, stock purchase plan or agreement, stock restriction agreement or restricted stock plan, employee stock ownership plan (ESOP), consulting agreement, stock appreciation right (SAR), stock depreciation right (SDR), bonus stock arrangement, or such other similar compensatory options, issuances, arrangements, agreements or plans approved by the Board of Directors of the Company; (iii) upon the issuance of any shares of capital stock or the grant of warrants or options (or the exercise thereof) as consideration for mergers,

other commercial transactions, other than in connection with a financing transaction or (iv) shares of Company's Common Stock issued in connection with any stock split, stock dividend, or recapitalization by Company.

(2) In the event that Company issues New Securities for a consideration of less than the Exercise Price (as adjusted per this Section 9 hereof), or if the Exercise Price shall have been adjusted hereunder, and the Company issues New Securities for a purchase price below the adjusted Exercise Price, then the then-current Exercise Price shall be adjusted downward to a price determined by dividing

i. the sum of (w) the Exercise Price in effect before the issuance of such New Securities multiplied by the number of shares of the Company's Common Stock then issued and outstanding and (x) the consideration, if any, received by or deemed to have been received by the Company on the issue of such New Securities by:

ii. the sum of (y) the number of shares of the Company's Common Stock then issued and outstanding immediately prior to the issuance of such New Securities and (z) the number of Additional Shares of Common Stock issued or deemed to have been issued in the issuance of such New Securities.

(3) In the case of the issuance of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid.

(4) In the case of the issuance of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as reasonably determined by the Company's board of directors consistent with its fiduciary duties irrespective of any accounting treatment.

(5) The Company will not by reorganization, transfer of assets, consolidation, merger, dissolution, or otherwise, avoid or seek to avoid observance or performance of any of the terms of this Section 9, but will at all times in good faith assist in the carrying out and performance of all provisions of this Section 9 in order to protect the rights of the Holder against impairment.

(f) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a) of this Section, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, as applicable, so that after such adjustment the aggregate Exercise Price payable hereunder for the increased or decreased, as applicable, number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(g) Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(h) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's Transfer Agent.

(i) Notice of Corporate Events. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least ten calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

10. Payment of Exercise Price. The Holder shall pay the Exercise Price in immediately available funds (a "cash exercise"); provided, however, that if at any time after the date that is six (6) months after the date of this Warrant (the "**Required Effective Date**") a Registration Statement covering the resale of the Warrant Shares is not effective on the Exercise Date, or no current prospectus under such Registration Statement is available, the Holder may satisfy its obligation to pay the Exercise Price through a "cashless exercise," in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised (prior to cashless exercise).

A = the average of the Closing Prices for the five Trading Days immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For purposes of this Section 10, "Closing Prices" for any date, shall mean the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary trading market on which the Common Stock is then listed or quoted.

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For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Subscription Agreement.

11. Limitation on Exercise. Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Holder upon any exercise of this Warrant (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act, does not exceed 4.999% (the "**Maximum Percentage**") of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such exercise). For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. The Company's obligation to issue shares of Common Stock in excess of the limitation referred to in this Section shall be suspended (and shall not terminate or expire notwithstanding any contrary provisions hereof) until such time, if any, as such shares of Common Stock may be issued in compliance with such limitation, but in no event later than the Expiration Date. By written notice to the Company, the Holder may waive the provisions of this Section or increase or decrease the Maximum Percentage to any other percentage specified in such notice, but (i) any such waiver or increase will not be effective until the 61st day after such notice is delivered to the Company, and (ii) any such waiver or increase or decrease will apply only to the Holder and not to any other holder of Warrants.

12. Fractional Shares. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section, be issuable upon exercise of this Warrant, the number of Warrant Shares to be issued will be rounded up to the nearest whole share.

13. Notices. Any and all notices or other communications or deliveries hereunder (including without limitation any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Subscription Agreement prior to 6:30 p.m. (New York City time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Subscription Agreement on a day that is not a Trading Day or later than 6:30 p.m. (New York City time) on any Trading Day, (iii) the Trading Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The address for such notices or communications shall be as set forth in the Subscription Agreement.

14. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon 30 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent

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shall be a party shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

15. Registration of Warrant Shares. The Warrant Shares shall be entitled to registration rights as set forth in the Registration Rights Agreement which has been executed in connection with the Subscription Agreement.

16. Miscellaneous.

(a) Subject to the restrictions on transfer set forth on the first page hereof, this Warrant may be assigned by the Holder. This Warrant may not be assigned by the Company, except to a successor in the event of a Fundamental Transaction. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant.

(b) The Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, seek to call or redeem this Warrant or avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against dilution or other impairment. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, (ii) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares, free from all taxes, liens,

security interests, encumbrances, preemptive or similar rights and charges of stockholders (other than those imposed by the Holders), on the exercise of the Warrant, and (iii) will not close its stockholder books or records in any manner which interferes with the timely exercise of this Warrant.

(c) Remedies; Specific Performance. The Company acknowledges and agrees that there would be no adequate remedy at law to the Holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant and accordingly, the Company agrees that, in addition to any other remedy to which the Holder may be entitled at law or in equity, the Holder shall be entitled to seek to compel specific performance of the obligations of the Company under this Warrant, without the posting of any bond, in accordance with the terms and conditions of this Warrant in any court of the United States or any State thereof having jurisdiction, and if any action should be brought in equity to enforce any of the provisions of this Warrant, the Company shall not raise the defense that there is an adequate remedy at law. Except as otherwise provided by law, a delay or omission by the Holder hereof in exercising any right or remedy accruing upon any such breach shall not impair the right or remedy or constitute a waiver of or acquiescence in any such

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breach. No remedy shall be exclusive of any other remedy. All available remedies shall be cumulative.

(d) Amendments and Waivers. The Company may, without the consent of the Holders, by supplemental agreement or otherwise, (i) make any changes or corrections in this Agreement that are required to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein or (ii) add to the covenants and agreements of the Company for the benefit of the Holders (including, without limitation, reduce the Exercise Price or extend the Expiration Date), or surrender any rights or power reserved to or conferred upon the Company in this Agreement; provided that, in the case of (i) or (ii), such changes or corrections shall not adversely affect the interests of Holders of then outstanding Warrants in any material respect. This Warrant may also be amended or waived with the consent of the Company and the Holder. Further, the Company may, with the consent, in writing or at a meeting, of the Holders (the “**Required Holders**”) of the then outstanding Warrants exercisable for a majority or greater of the Common Stock eligible under such Warrants, amend in any way, by supplemental agreement or otherwise, this Warrant and/or all of the outstanding Warrants; provided, however, that (i) no such amendment by its express terms shall adversely affect any Holder differently than it affects all other Holders, unless such Holder consents thereto, and (ii) no such amendment concerning the number of Warrant Shares or Exercise Price shall be made unless any Holder who will be affected by such amendment consents thereto. If a new warrant agent is appointed by the Company, it shall at the request of the Company, and without need of independent inquiry as to whether such supplemental agreement is permitted by the terms of this Section 16(d), join with the Company in the execution and delivery of any such supplemental agreements, but shall not be required to join in such execution and delivery for such supplemental agreement to become effective.

(e) GOVERNING LAW; VENUE; WAIVER OF JURY TRIAL. THE CORPORATE LAWS OF THE STATE OF NEW YORK SHALL GOVERN ALL ISSUES CONCERNING THE RELATIVE RIGHTS OF THE COMPANY AND ITS STOCKHOLDERS. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE COMPANY AND HOLDERS HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN FOR THE ADJUDICATION OF ANY DISPUTE BROUGHT BY THE COMPANY OR ANY HOLDER HEREUNDER, IN CONNECTION HERewith OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN, AND HEREBY IRREVOCABLY WAIVE, AND AGREE NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING BROUGHT BY THE COMPANY OR ANY HOLDER, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, OR THAT SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF VIA REGISTERED OR CERTIFIED MAIL OR OVERNIGHT DELIVERY (WITH EVIDENCE OF DELIVERY) TO SUCH PARTY AT THE ADDRESS IN EFFECT FOR NOTICES TO IT UNDER THIS WARRANT AND AGREES THAT SUCH

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SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. THE COMPANY AND HOLDERS HEREBY WAIVE ALL RIGHTS TO A TRIAL BY JURY.

(f) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(g) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.
By:

Name: Bruce Widener
Title: Chief Executive Officer

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FORM OF EXERCISE NOTICE

(To be executed by the Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant)

To: BEACON ENTERPRISE SOLUTIONS GROUP, INC.

The undersigned is the Holder of Warrant No. _____ (the "Warrant") issued by Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "Company"). Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Warrant.

- (a) The Warrant is currently exercisable to purchase a total of _____ Warrant Shares.
- (b) The undersigned Holder hereby exercises its right to purchase _____ Warrant Shares pursuant to the Warrant.
- (c) The Holder shall make Payment of the Exercise Price as follows (check one):
- _____ "Cash Exercise" under Section 10
_____ "Cashless Exercise" under Section 10
- (d) If the holder is making a Cash Exercise, the holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.
- (e) Pursuant to this exercise, the Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.
- (f) Following this exercise, the Warrant shall be exercisable to purchase a total of _____ Warrant Shares.
- (g) Notwithstanding anything to the contrary contained herein, this Exercise Notice shall constitute a representation by the Holder that, after giving effect to the exercise provided for in this Exercise Notice, the Holder (together with its affiliates) will not have beneficial ownership (together with the beneficial ownership of such Person's affiliates) of a number of shares of Common Stock which exceeds the Maximum Percentage of the total outstanding shares of Common Stock as determined pursuant to the provisions of Section 11(a) of the Warrant.

Dated: _____, _____

Name of Holder: _____
(Print)

By: _____
Name: _____
Title: _____
(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of Beacon Enterprise Solutions Group, Inc. to which the within Warrant relates and appoints _____ attorney to transfer said right on the books of Beacon Enterprise Solutions Group, Inc. with full power of substitution in the premises.

Dated: _____, _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

In the presence of:

NEITHER THIS WARRANT NOR THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE AFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

WARRANT TO PURCHASE

25,000 SHARES

OF COMMON STOCK

(SUBJECT TO ADJUSTMENT)

(Void after July __, 2013)

Warrant No: __

July __, 2008

This certifies that for value, _____, or his registered assigns (the "**Holder**"), is entitled, subject to the terms set forth below, at any time from and after July __, 2008 (the "**Original Issuance Date**") and before 5:00 p.m., Eastern Time, on July __, 2013 (the "**Expiration Date**"), to purchase from Beacon Enterprise Solutions Group, Inc., f/k/a Suncrest Global Energy Corp., a Nevada corporation (the "**Company**"), Twenty-Five Thousand (**25,000**) shares (subject to adjustment as described herein), of common stock, par value \$0.001 per share, of the Company (the "**Common Stock**"), upon surrender hereof, at the principal office of the Company referred to below, with a duly executed subscription form in the form attached hereto as **Exhibit A** and simultaneous payment therefor in lawful, immediately available money of the United States or otherwise as hereinafter provided, at an initial exercise price per share of \$1.00 (the "**Purchase Price**"). The Purchase Price is subject to further adjustment as provided in **Section 4** below. The term "**Common Stock**" shall include, unless the context otherwise requires, the stock and other securities and property at the time receivable upon the exercise of this Warrant. The term "**Warrant**," as used herein, shall mean this Warrant and any other Warrants delivered in substitution or exchange therefor as provided herein.

This Warrant was issued in connection with the termination of the equity rights financing facility of December 28, 2007 between the Company and the Holder, which was terminated upon the closing of the Company's Series A-1 Preferred Stock offering. The Holder acknowledges that this Warrant is issued in full satisfaction of the Company's obligations thereunder.

1. **Exercise.** This Warrant may be exercised at any time or from time to time from and after the Original Issuance Date and before 5:00 p.m., Eastern Time, on July __, 2013, on any business day, for the full number of shares of Common Stock called for hereby, by surrendering it at the principal office of the Company, at 124 N. First Street, Louisville, Kentucky 40202 (the "**Principal Office**"), with the subscription form duly executed, together with payment in an amount equal to (a) the number of shares of Common Stock called for on the face of this Warrant, multiplied (b) by the Purchase Price. Payment of the Purchase Price may be made by payment in immediately available funds. This Warrant may be exercised for less than the full number of shares of Common Stock at the time called for hereby, except that the number of shares receivable upon the exercise of this Warrant as a whole, and the sum payable upon the exercise of this Warrant as a whole, shall be proportionately reduced. Upon a partial exercise of this Warrant in accordance with the terms hereof, this Warrant shall be surrendered, and a new Warrant of the same tenor and for the purchase of the number of such shares not purchased upon such exercise shall be issued by the Company to Holder without any charge therefor. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of its surrender for exercise as provided above, and the person entitled to receive the shares of Common Stock issuable upon such exercise shall be treated for all purposes as the holder of such shares of record as of the close of business on such date. Within two (2) business days after such date, the Company shall issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the number of full shares of Common Stock issuable upon such exercise, together with cash, in lieu of any fraction of a share, equal to such fraction of the then Fair Market Value on the date of exercise of one full share of Common Stock.

"**Fair Market Value**" shall mean, as of any date: (i) if shares of the Common Stock are listed on a national securities exchange, the average of the closing prices as reported for composite transactions during the ten (10) consecutive trading days preceding the trading day immediately prior to such date or, if no sale occurred on a trading day, then the mean between the closing bid and asked prices on such exchange on such trading day; (ii) if shares of the Common Stock are not so listed but are traded on the NASDAQ Global Market ("**NGM**"), the average of the closing prices as reported on the NGM during the ten (10) consecutive trading days preceding the trading day immediately prior to such date or, if no sale occurred on a trading day, then the mean between the highest bid and lowest asked prices as of the close of business on such trading day, as reported on the NGM; or if applicable, the Nasdaq Capital Market ("**NCM**"), (iii) if not then included for quotation on the NGM or the NCM, the average of the highest reported bid and lowest reported asked prices as reported by the OTC Bulletin Board of the National Quotation Bureau, as the case may be; or (iv) if the shares of the Common Stock are not then publicly traded, the fair market price of the Common Stock as determined in good faith by the independent members of the Board of Directors of the Company and the Holders of a majority of the then outstanding Warrants.

2. **Shares Fully Paid; Payment of Taxes.** All shares of Common Stock issued upon the exercise of this Warrant shall be validly issued, fully paid and non-assessable, and the Company shall pay all taxes and other governmental charges (other than income taxes to the holder) that may be imposed in respect of the issue or delivery thereof.

3. **Transfer and Exchange.** (a) Neither this Warrant nor the Common Stock to be issued upon exercise hereof (the "**Warrant Shares**")

state securities laws (“**Blue Sky Laws**”). This Warrant has been acquired for investment purposes and not with a view to distribution or resale and may not be pledged, hypothecated, sold, made subject to a security interest, or otherwise transferred without: (i) an effective registration statement for such Warrant under the Act and such applicable Blue Sky Laws; or (ii) an opinion of counsel reasonably satisfactory to the Company that registration is not required under the Act or under any applicable Blue Sky Laws.

(b) Upon compliance with applicable federal and state securities laws as set forth in **Section 3(a)**, above, this Warrant and all rights hereunder are transferable, in whole or in part, on the books of the Company maintained for such purpose at its Principal Office by the Holder in person or by duly authorized attorney, upon surrender of this Warrant together with a completed and executed assignment form in the form attached hereto as **Exhibit B**, and payment of any necessary transfer tax or other governmental charge imposed upon such transfer. Upon any partial transfer, the Company will issue and deliver to the assignee a new Warrant with respect to the shares of Common Stock for which it is exercisable that have been transferred, and will deliver to the Holder a new Warrant or Warrants with respect to the shares of Common Stock not so transferred. A Warrant may be transferred only by the procedure set forth herein. No transfer shall be effective until such transfer is recorded on the books of the Company, provided that such transfer is recorded promptly by the Company, and until such transfer on such books, the Company shall treat the registered Holder hereof as the owner of the Warrant for all purposes.

(c) This Warrant is exchangeable at the Principal Office for two or more new Warrants, each in the form of this Warrant, to purchase the same aggregate number of shares of Common Stock, each new Warrant to represent the right to purchase such number of shares as the Holder shall designate at the time of such exchange, but which shall not exceed the total number of shares for which this Warrant may be from time to time exercisable.

(d) Transfer of the Warrant Shares issued upon the exercise of this Warrant shall be restricted in the same manner and to the same extent as the Warrant, and the certificates representing such Warrant Shares shall bear substantially the following legend, until such Warrant Shares have been registered under the Act or may be removed as otherwise permitted under the Act:

“THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED UNTIL (i) A REGISTRATION STATEMENT UNDER THE ACT OR SUCH APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (ii) IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, REGISTRATION UNDER THE ACT OR SUCH APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER.”

(e) The Holder and the Company agree to execute such other documents and instruments as counsel to the Company deems necessary to effect the compliance of the issuance of this Warrant and any Warrant Shares issued upon exercise hereof with applicable federal and state securities laws, including compliance with applicable exemptions from the registration requirements of such laws.

4. **Anti-Dilution Provisions.** The Purchase Price in effect at any time and the number and kind of securities issuable upon conversion of this Warrant shall be subject to adjustment from time to time upon the happening of certain events as follows:

A. **Adjustment for Stock Splits and Combinations.** If the Company at any time or from time to time on or after the date of Warrant issuance (the “**Original Issuance Date**”) effects a subdivision of the outstanding Common Stock, the Purchase Price then in effect immediately before that subdivision shall be proportionately decreased, and conversely, if the Company at any time or from time to time on or after the Original Issuance Date combines the outstanding shares of Common Stock into a smaller number of shares, the Purchase Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this **Section 4(A)** shall become effective at the close of business on the date the subdivision or combination becomes effective.

B. **Adjustment for Certain Dividends and Distributions.** If the Company at any time or from time to time on or after the Original Issuance Date makes or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Purchase Price then in effect shall be decreased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Purchase Price then in effect by a fraction (1) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date and (2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Purchase Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Purchase Price shall be adjusted pursuant to this **Section 4(B)** as of the time of actual payment of such dividends or distributions.

C. Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time on or after the Original Issuance Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the Holders of Warrants shall receive upon exercise thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Warrants been exercised into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments

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called for during such period under this Section 4 with respect to the rights of the Holders of the Warrants.

D. Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time on or after the Original Issuance Date, the Common Stock issuable upon the exercise of the Warrants is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 4), then and in any such event each Holder of Warrants shall have the right thereafter to exercise such Warrant to receive the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Common Stock for which such Warrants could have been exercised immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

E. Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time on or after the Original Issuance Date there is a capital reorganization of the Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 4) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the Holders of the Warrants shall thereafter be entitled to receive upon exercise of the Warrants the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the Holders of the Warrants after the reorganization, merger, consolidation or sale to the end that the provisions of this Section 4 (including adjustment of the Purchase Price then in effect and the number of shares to be received upon exercise of the Warrants) shall be applicable after that event and be as nearly equivalent as may be practicable.

F. Sale of Shares Below Purchase Price:

(1) If at any time or from time to time following the Original Issuance Date, the Company issues or sells, or is deemed by the express provisions of this Section 4(F) to have issued or sold, Additional Shares of Common Stock (as hereinafter defined), other than as a dividend or other distribution on any class of stock and other than upon a subdivision or combination of shares of Common Stock, in either case as provided in Section 4(A) above, for an Effective Price (as hereinafter defined) less than the then existing Purchase Price, then and in each such case the then existing Purchase Price shall be reduced, as of the opening of business on the date of such issue or sale, to a price equal to the Effective Price for such Additional Shares of Common Stock.

(2) For the purpose of making any adjustment required under Section 4(F), the consideration received by the Company for any issue or sale of securities shall (I) to the extent it consists of cash be computed at the amount of cash received by the Company, (II) to the extent it

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consists of property other than cash, be computed at the fair value of that property as determined in good faith by the board of directors of the Company (the "Board"), (III) if Additional Shares of Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options, and (IV) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

(3) For the purpose of the adjustment required under Section 4(F), if the Company issues or sells any rights, warrants or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") and if the Effective Price of such Additional Shares of Common Stock is less than the Purchase Price then in effect, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights, warrants, options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights, warrants, options or Convertible Securities, plus, in the case of such rights, warrants or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights, warrants or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Purchase Price, adjusted upon the issuance of such rights, warrants, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Common Stock on the exercise of any such rights, warrants or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Purchase Price adjusted upon the issuance of such rights, warrants, options or Convertible Securities shall be readjusted to the Purchase Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common

Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such rights, warrants, or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights, warrants, or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities.

(4) For the purpose of the adjustment required under **Section 4(F)**, if the Company issues or sells, or is deemed by the express provisions of this **Section 4** to have issued or sold, any rights or options for the purchase of Convertible Securities and if the Effective Price

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of the Additional Shares of Common Stock underlying such Convertible Securities is less than the Purchase Price then in effect, then in each such case the Company shall be deemed to have issued at the time of the issuance of such rights or options the maximum number of Additional Shares of Common Stock issuable upon conversion or exchange of the total amount of Convertible Securities covered by such rights or options and to have received as consideration for the issuance of such Additional Shares of Common Stock an amount equal to the amount of consideration, if any, received by the Company for the issuance of such rights, warrants or options, plus the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights, warrants or options, plus the minimum amount of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange of such Convertible Securities. No further adjustment of the Purchase Price, adjusted upon the issuance of such rights, warrants or options, shall be made as a result of the actual issuance of the Convertible Securities upon the exercise of such rights, warrants or options or upon the actual issuance of Additional Shares of Common Stock upon the conversion or exchange of such Convertible Securities. The provisions of paragraph (3) above for the readjustment of the Purchase Price upon the expiration of rights, warrants or options or the rights of conversion or exchange of Convertible Securities shall apply mutatis mutandis to the rights, warrants and Convertible Securities referred to in this paragraph (4).

(5) **“Additional Shares of Common Stock”** shall mean all shares of Common Stock issued by the Company on or after the Original Issuance Date, whether or not subsequently reacquired or retired by the Company, other than (I) the Warrant Shares, (II) the shares of Common Stock issuable upon conversion of any Company Preferred Stock, (III) shares of Common Stock issuable upon exercise of warrants, options and Convertible Securities outstanding as of the Original Issuance Date (provided that the terms of such warrants, options and Convertible Securities are not modified after the Original Issuance Date to adjust the exercise price), and (IV) shares of Common Stock issued pursuant to any event for which adjustment is made to the Purchase Price under **Section 4** hereof or to the exercise price under the anti-dilution provisions of any securities outstanding as of the Original Issuance Date (including the Company Preferred Stock). The **“Effective Price”** of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Company under this **Section 4F**, into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this **Section 4F**, for such Additional Shares of Common Stock.

(6) Other than a reduction pursuant to its applicable anti-dilution provisions, any reduction in the conversion price of any Convertible Security, whether outstanding on the Original Issuance Date or thereafter, or the price of any option, warrant or right to purchase Common Stock or any Convertible Security (whether such option, warrant or right is outstanding on the Original Issuance Date or thereafter), to an Effective Price less than the current Purchase Price, shall be deemed to be an issuance of such Convertible Security and all such options, warrants or rights at such Effective Price, and the provisions of **Sections 4(F)(3), (4) and (5)** shall apply thereto mutatis mutandis.

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(7) Any time an adjustment is made to the Purchase Price pursuant to **Section 4(F)**, a corresponding proportionate change shall be made to the number of shares of Common Stock issuable upon conversion of this Warrant.

G. No Adjustments in Certain Circumstances. No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one (\$0.01) cent in such price; provided, however, that any adjustments which by reason of this **Section 4(G)** are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder. All calculations under this **Section 4(G)** shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

5. Notices of Record Date. In case:

A. the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time receivable upon the exercise of the Warrants) for the purpose of entitling them to receive any dividend or other distribution, or any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, or

B. of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation or merger of the Company with or into another corporation, or any conveyance of all or substantially all of the assets of the Company to another corporation, or

C. of any voluntary dissolution, liquidation or winding-up of the Company; then, and in each such case, the Company will mail or cause to be mailed to each holder of a Warrant at the time outstanding a notice specifying, as the case may be, (a) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (b) the date on which such reorganization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding-up is expected to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such stock or securities at the time receivable upon the exercise of the Warrants) shall be entitled to exchange their shares of Common

Stock (or such other stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding-up, such notice shall be mailed at least ten (10) days prior to the date therein specified.

6. Loss or Mutilation. Upon receipt by the Company of evidence satisfactory to it (in the exercise of reasonable discretion) of the ownership of and the loss, theft, destruction or mutilation of any Warrant and (in the case of loss, theft or destruction) of indemnity satisfactory to it (in the exercise of reasonable discretion), and (in the case of mutilation) upon surrender and cancellation thereof, the Company will execute and deliver in lieu thereof a new Warrant of like tenor.

7. Reservation of Common Stock. The Company shall at all times reserve and keep available for issue upon the exercise of Warrants such number of its authorized but unissued shares of Common Stock as will be sufficient to permit the exercise in full of all outstanding Warrants. All of the shares of Commons Stock issuable upon the exercise of the rights

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represented by this Warrant will, upon issuance and receipt of the Purchase Price therefor, be fully paid and nonassessable, and free from all preemptive rights, rights of first refusal or first offer, taxes, liens and charges of whatever nature, with respect to the issuance thereof.

8. No Rights as Stockholder Conferred by Warrants. The Warrant shall not entitle the Holder hereof to any of the rights, either at law or in equity, of a stockholder of the Company. The Holder shall, upon the exercise thereof, not be entitled to any dividend that may have accrued or which may previously have been paid with respect to shares of stock issuable upon the exercise of the Warrant, except as may otherwise be provided in Section 4 hereof.

9. Notices. All notices and other communications from the Company to the Holder of this Warrant shall be mailed by first class, registered or certified mail, postage prepaid, and/or a nationally recognized overnight courier service to the address furnished to the Company in writing by the Holder.

10. Change; Modifications; Waiver. No terms of this Warrant may be amended, waived or modified except by the express written consent of the Company and the holders of not less than 50.1% of the shares of Common Stock then issuable under outstanding Warrants issued in connection with the Financing.

11. Endorsement of Warrants. The Warrant when presented or surrendered for exchange, transfer or registration shall be accompanied (if so required by the Company) by an assignment in the form attached hereto as Exhibit B or such other written instrument of transfer, in form satisfactory to the Company, duly executed by the registered Holder or by his duly authorized attorney.

12. Agreement of Warrant Holders. The Holder, and to the extent that portions of this Warrant are assigned and there is more than one Holder of warrants exercisable for the Warrant Shares, every holder of a Warrant, by accepting the same, consents and agrees with the Company and with all other Warrant holders that: (a) the Warrants are transferable only as permitted by Section 3 above; (b) the Warrants are transferable only on the registry books of the Company as herein provided; and (c) the Company may deem and treat the person in whose name the Warrant certificate is registered as the absolute owner thereof and of the Warrants evidenced thereby for all purposes whatsoever, and the Company shall not be affected by any notice to the contrary,

13. Payment of Taxes. The Company will pay all stamp, transfer and other similar taxes payable in connection with the original issuance of this Warrant and the shares of Common Stock issuable upon exercise thereof, provided, however, that the Company shall not be required to (i) pay any such tax which may be payable in respect of any transfer involving the transfer and delivery of this Warrant or the issuance or delivery of certificates for shares of Common Stock issuable upon exercise thereof in a name other than that of the registered Holder of this Warrant or (ii) issue or deliver any certificate for shares of Common Stock upon the exercise of this Warrant until any such tax required to be paid under clause (i) shall have been paid, all such tax being payable by the holder of this Warrant at the time of surrender.

14. Fractional Interest. The Company shall not be required to issue fractional shares of Common Stock on the exercise of this Warrant. If more than one Warrant shall be presented

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for exercise at the same time by the Holder, the number of full shares of Common Stock which shall be issuable upon such exercise shall be computed on the basis of the aggregate number of shares of Common Stock acquirable on exercise of the Warrants so presented. If any fraction of a share of Common Stock would, except for the provisions of this Section 14, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall pay an amount in cash calculated by it to be equal to the Purchase Price per share multiplied by such fraction computed to the nearest whole cent. The Holder by his acceptance of this Warrant expressly waives any and all rights to receive any fraction of a share of Common Stock or a stock certificate representing a fraction of a share of Common Stock.

15. Entire Agreement. This Warrant constitutes the full and entire understanding and agreement among the parties with regard to the subject matter hereof and no party shall be liable or bound to any other party in any manner by any representations, warranties, covenants or agreements except as specifically set forth herein.

16. Successors and Assigns. All covenants and provisions of this Warrant by or for the benefit of the Company or the Holder of this Warrant shall bind and inure to the benefit of their respective successors, permitted assigns, heirs and personal representatives.

17. Termination. This Warrant shall terminate at 5:00 p.m., Eastern Time, on the Expiration Date or upon such earlier date on which all of this Warrant has been exercised (the "Termination Date").

18. Headings. The headings in this Warrant are for purposes of convenience in reference only, and shall not be deemed to constitute a

part hereof.

19. Governing Law, Etc. This Agreement shall be governed by and construed exclusively in accordance with the internal laws of the State of New York without regard to the conflicts of laws principles thereof. The parties hereto hereby irrevocably agree that any suit or proceeding arising directly and/or indirectly pursuant to or under this Agreement, shall be brought solely in a federal or state court located in the City, County and State of New York. By its execution hereof, the parties hereby covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in the City, County and State of New York and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in New York City. The parties hereto waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding, the party prevailing therein shall be entitled to payment from the other party hereto of all of its reasonable legal fees and expenses.

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WARRANT SIGNATURE PAGE

Dated: July __, 2008

**BEACON ENTERPRISE SOLUTIONS
GROUP, INC.**

By: _____

Name: Bruce Widener
Title: Chief Executive Officer

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EXHIBIT A

SUBSCRIPTION FORM

(To be executed only upon exercise of Warrant)

The undersigned registered owner of this Warrant irrevocably exercises this Warrant and purchases _____ shares of the Common Stock of Beacon Enterprise Solutions Group, Inc. purchasable with this Warrant, and herewith makes payment therefor (either in cash or pursuant to the cashless exercise provisions set forth in **Section 1** of the Warrant), all at the price and on the terms and conditions specified in this Warrant.

Dated: _____

(Signature of Registered Owner)

(Street Address)

(City / State / Zip Code)

EXHIBIT B

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered owner of this Warrant hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock set forth below:

Name of Assignee

Address

Number of Shares

and does hereby irrevocably constitute and appoint _____ Attorney to make such transfer on the books of Beacon Enterprise Solutions Group, Inc. maintained for the purpose, with full power of substitution in the premises.

Dated: _____

(Signature)

(Witness)

The undersigned Assignee of the Warrant hereby makes to Beacon Enterprise Solutions Group, Inc. as of the date hereof, with respect to the Assignee, all of the representations and warranties made by the Holder, and the undersigned Assignee agrees to be bound by all the terms and conditions of the Warrant and the Registration Rights Agreement, dated as of July __, 2008, by and between Beacon Enterprise Solutions Group, Inc. (f/k/a Suncrest Global Energy Corp.) and Laidlaw & Co. (UK) Ltd.

Dated: _____

(Signature)

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this “Agreement”) is made as of July 31, 2008, by and among (i) Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the “Company”), (ii) each person listed on Exhibit A attached hereto (collectively, the “Investors” and each individually, an “Initial Investor”), (iii) Allen Partners, a Delaware limited liability company (the “Placement Agent”) and (iv) each person or entity that subsequently becomes a party to this Agreement pursuant to, and in accordance with, the provisions of Section 12 hereof (collectively, the “Investor Permitted Transferees” and each individually an “Investor Permitted Transferee”).

WHEREAS, the Company has agreed to issue and sell to the Investors, and the Investors have agreed to purchase from the Company, an aggregate of up to 3,750,000 units (“Units”) at a price of \$0.80 per Unit, each Unit consisting of (i) one (1) share of the Company’s common stock, \$0.001 par value per share (the “Common Stock”) (the aggregate number of shares, hereinafter the “Purchased Shares”) and (ii) a five-year warrant to purchase 0.50 shares of Common Stock at a price of \$1.00 per share (each a “Warrant” and together the “Warrants”), all upon the terms and conditions set forth in that certain Subscription Agreement, dated of even date herewith, between the Company and the Investors (the “Subscription Agreement”); and

WHEREAS, the Company has agreed to provide certain registration rights with respect to the shares (the “Placement Agent Warrant Shares”) of Common Stock issuable upon exercise of the warrants issued to the Placement Agent and its permitted transferees (the “Placement Agent Warrants”) both on the terms and conditions provided herein; and

WHEREAS, the terms of the Subscription Agreement provide that it shall be a condition precedent to the closing of the transactions thereunder, for the Company and the Investors to execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto hereby agree as follows:

1. DEFINITIONS. The following terms shall have the meanings provided therefor below or elsewhere in this Agreement as described below:

“Board” shall mean the board of directors of the Company.

“Closing” and “Closing Dates” shall have the meanings ascribed to such terms in the Subscription Agreement.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and all of the rules and regulations promulgated thereunder.

“Exhibit C Securities” as defined in the Section 3(a) hereof.

“Exhibit D Securities” as defined in the Section 3(d) hereof.

“Effectiveness Date” means, with respect to the Initial Registration Statement, as soon as practicable after the Final Closing and, with respect to any additional Registration Statements which may be required to be filed hereunder pursuant to Section 3(d) or otherwise, as soon as practicable following the date on which the additional Registration Statement is required to be filed hereunder; provided, however, that in the event the Company is notified by the SEC that one of the above Registration Statements will not be reviewed or is no longer subject to further review and comments, the Effectiveness Date as to such Registration Statement shall be the fifth (5th) Trading Day following the date on which the Company is so notified if such date precedes the dates required above.

“Filing Date” means, with respect to the Initial Registration Statement, within sixty (60) days after the Final Closing and, with respect to any additional Registration Statements required to be filed hereunder pursuant to Section 3(d) or otherwise, thirty (30) days following the earliest practicable date on which the Company is permitted by SEC Guidance to file such additional Registration Statement related to the Registrable Securities.

“Initial Registration Statement” means the initial Registration Statement filed pursuant to this Agreement.

“Investors” shall mean, collectively, the Investors and the Investor Permitted Transferees; provided, however, that the term “Investors” shall not include any of the Investors or any of the Investor Permitted Transferees that does not own or hold any Registrable Securities.

“Majority Holders” shall mean, at the relevant time of reference thereto, those Investors holding more than fifty percent (50%) of the Registrable Securities held by all of the Investors.

“Placement Agent Warrants” as defined in the Preamble.

“Placement Agent Warrant Shares” as defined in the Preamble.

“Purchased Shares” as defined in the Preamble.

“Registrable Securities” shall mean the Purchased Shares, the Underlying Shares and the Placement Agent Warrant Shares.

“Registration Statement” means any one or more registration statements filed with the SEC by the Company on Form S-3, or in the event the Company is not eligible to use Form S-3, on Form S-1, for the purpose of registering under the Securities Act all of the Registrable Securities for resale by, and for the account of, the Investors, including the Initial Registration Statement and any additional registration statements required to be filed hereunder pursuant to Section 3(d) or otherwise, including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre-and post-effective amendments, all exhibits

thereto, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

“Rule 144” shall mean Rule 144 promulgated by the SEC pursuant to the Securities Act and any successor or substitute rule, law or provision.

“Rule 415” means Rule 415 promulgated by the SEC pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same purpose and effect as such Rule.

“Rule 424” means Rule 424 promulgated by the SEC pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same purpose and effect as such Rule.

“SEC” shall mean the Securities and Exchange Commission.

“SEC Guidance” means (i) any publicly-available written guidance, or rule of general applicability of the SEC staff, or (ii) written comments, requirements or requests of the SEC staff to the Company in connection with the review of a Registration Statement.

“Securities” shall mean the Purchased Shares, the Warrants and the Underlying Shares.

“Securities Act” shall mean the Securities Act of 1933, as amended, and all of the rules and regulations promulgated thereunder.

“Trading Day” means (a) if the Common Stock is listed or quoted on the NASDAQ Market, then any day during which securities are generally eligible for trading on the NASDAQ Market, or (b) if the Common Stock is not then listed or quoted and traded on the NASDAQ Market, then any business day.

“Underlying Shares” shall mean the shares of Common Stock issuable upon exercise of the Warrants.

2. EFFECTIVENESS; TERMINATION. This Agreement shall become effective and legally binding only if the First Closing occurs.

3. MANDATORY REGISTRATION.

(a) The Company shall be required to file a Registration Statement on or prior to each Filing Date until all of the Registrable Securities are registered for resale by the Investors and the Placement Agent as selling stockholders thereunder. On or prior to each Filing Date, the Company shall prepare and file with the SEC a Registration Statement for the purpose of registering under the Securities Act the resale of all, or such portion as permitted by SEC Guidance (provided that, the Company shall use commercially reasonable efforts to advocate with the SEC for the registration of all or the maximum number of the Registrable Securities as permitted by SEC Guidance), of the Registrable Securities by, and for the account of, the Investors and the Placement Agent as selling stockholders thereunder, that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415. No other securities shall be included in the Initial Registration Statement that is filed except for the Registrable Securities and the securities listed in Exhibit C hereto (“Exhibit C Securities”). Each Registration Statement shall contain a “Plan of Distribution” section reasonably acceptable to the Placement Agent. Subject to the terms of this Agreement, the Company shall cause a Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof and will use commercially reasonable efforts in this regard.

(b) The Company shall be required to keep a Registration Statement effective until such date that is the earlier of (i) the date as of which all of the Investors as selling stockholders thereunder may sell all of the Registrable Securities registered for resale thereon without restriction pursuant to Rule 144 (or any successor rule thereto) promulgated under the Securities Act or (ii) the date when all of the Registrable Securities registered thereunder shall have been sold (such date is referred to herein as the “Mandatory Registration Termination Date”). Thereafter, the Company shall be entitled to withdraw such

Registration Statement and the Investors shall have no further right to offer or sell any of the Registrable Securities registered for resale thereon pursuant to the respective Registration Statement (or any prospectus relating thereto). The Company acknowledges that the Company’s former status as a “shell company” and its ongoing requirement, under current Rule 144, to be current in its SEC periodic filings for 12 months prior to any Rule 144 sale is a continual “restriction” pursuant to Rule 144 for purposes of this Agreement.

(c) Notwithstanding any other provision of this Agreement, if any SEC Guidance sets forth a limitation of the number of Registrable Securities and Exhibit C Securities to be registered in the Initial Registration Statement (and notwithstanding that the Company used commercially reasonable efforts to advocate with the SEC for the registration of all or a greater number of Registrable Securities and Exhibit C Securities), unless otherwise directed in writing by the Majority Holders, the number of Registrable Securities and Exhibit C Securities to be registered on such Registration Statement will first be reduced by the Placement Agent Warrant Shares, second by the Exhibit C Securities (applied, in the case that some Exhibit C Securities may be registered, to such holders on a pro rata basis based on the total number of unregistered Exhibit C Securities held by such persons on a fully diluted basis), third to the Registrable Securities represented by Underlying Shares (applied, in the case that some Underlying Shares may be registered, to the Investors on a pro rata basis based on the total number of unregistered Underlying Shares held by such Investors on a fully diluted basis), and fourth by Registrable Securities represented by Purchased Shares (applied, in the case that some Purchased Shares may be registered, to the Investors on a pro rata basis based on the total number of unregistered Purchased Shares held by such Investors).

(d) If during the Effectiveness Period, subject to Section 3(a), the number of Registrable Securities at any time exceeds the number of Registrable Securities then registered for resale in a Registration Statement, then the Company shall file as soon as reasonably practicable and in accordance with SEC Guidance, an additional Registration Statement covering the resale by the Investors of not less than the number of such Registrable Securities that are not then registered. The Company shall have right to include the securities listed in Exhibit

D hereto (“Exhibit D Securities”) in any additional Registration Statement that is filed. If any SEC Guidance sets forth a limitation of the number of Registrable Securities, Exhibit C Securities and/or Exhibit D Securities to be registered on a particular Registration Statement (and notwithstanding that the Company used commercially reasonable efforts to advocate with the SEC for the registration of all or a greater number of such securities), unless otherwise directed in writing by the Majority Holders, the number of Registrable Securities, Exhibit C Securities and Exhibit D Securities to be registered on such Registration Statement will first be reduced on a share for share basis among the Exhibit D Securities, Exhibit C Securities, Registrable Securities represented by the Placement Agent Warrant Shares and Registrable Securities represented by Underlying Shares and second by Registrable Securities represented by Purchased Shares (applied, in the case that some Purchased Shares may be registered, to the Investors on a pro rata basis based on the total number of unregistered Purchased Shares held by such Investors).

4. NOTIFICATIONS OF EFFECTIVENESS; PROSPECTUSES.

The Company shall notify the Investors by facsimile or e-mail as promptly as practicable, and in any event, within two (2) Trading Days, after a Registration Statement is declared effective and shall simultaneously provide the Investors with copies of any related prospectus to be used in connection with the sale or other disposition of the Securities covered thereby. Failure to notify the Investors in accordance with this Section 4(b) shall be deemed an Event under Section 4(a).

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5. OBLIGATIONS OF THE COMPANY. In connection with the Company’s obligation under Section 3 hereof to file a Registration Statement with the SEC and to use its commercially reasonable efforts to cause a Registration Statement to become effective, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC such amendments and supplements to a Registration Statement and the prospectus used in connection therewith as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by a Registration Statement;

(b) Furnish to the selling Investors such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents (including, without limitation, prospectus amendments and supplements as are prepared by the Company in accordance with Section 5(a) above) as the selling Investors may reasonably request in order to facilitate the disposition of such selling Investors’ Registrable Securities;

(c) Use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC under the Securities Act and the Exchange Act, including, without limitation, Rule 172 under the Securities Act, file any final prospectus, including any supplement or amendment thereof, with the SEC pursuant to Rule 424 under the Securities Act, promptly inform the Investors in writing if, at any time during the Effectiveness Period, the Company does not satisfy the conditions specified in Rule 172 and, as a result thereof, the Investors are required to deliver a prospectus in connection with any disposition of Registrable Securities; notify the selling Investors of the happening of any event as a result of which the prospectus included in or relating to a Registration Statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading; and, thereafter, subject to Section 11 hereof, the Company will promptly prepare (and, when completed, give notice and provide a copy thereof to each selling Investor) a supplement or amendment to such prospectus so that such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading; provided that upon such notification by the Company (which shall be a Suspension pursuant to Section 11), the selling Investors will not offer or sell Registrable Securities until the Company has notified the selling Investors that it has prepared a supplement or amendment to such prospectus and filed it with the SEC or, if the Company does not then meet the conditions for the use of Rule 172, delivered copies of such supplement or amendment to the selling Investors (it being understood and agreed by the Company that the foregoing proviso shall in no way diminish or otherwise impair the Company’s obligation to promptly prepare a prospectus amendment or supplement as above provided in this Section 5(c) and deliver copies of same as above provided in Section 5(b) hereof); and

(d) Use commercially reasonable efforts to register and qualify the Registrable Securities covered by a Registration Statement under such other securities or Blue Sky laws of such states as shall be reasonably appropriate in the opinion of the Company, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, and provided further that (notwithstanding anything in this Agreement to the contrary with respect to the bearing of expenses) if any jurisdiction in which any of such Registrable Securities shall be qualified shall require that expenses incurred in connection with the qualification therein of any such Registrable Securities be borne by the

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selling Investors, then the selling Investors shall, to the extent required by such jurisdiction, pay their pro rata share of such qualification expenses.

(e) Subject to the terms and conditions of this Agreement, including Section 3 hereof, the Company shall use its commercially reasonable efforts to (i) prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction in the United States, and (ii) if such an order or suspension is issued, obtain the withdrawal of such order or suspension at the earliest practicable moment and notify each holder of Registrable Securities of the issuance of such order and the resolution thereof or its receipt of notice of the initiation or threat of any proceeding such purpose.

(f) The Company shall (i) comply with all requirements of the Financial Industry Regulatory Authority, Inc. with regard to the issuance of the Purchased Shares and the listing thereof on the OTC Bulletin Board and such other securities exchange or automated quotation system, as applicable, and (ii) engage a transfer agent and registrar to maintain the Company’s stock ledger for all Registrable Securities covered by a Registration Statement not later than the effective date of a Registration Statement.

(g) The Company will notify the Investors of any pending proceeding against the Company under Section 8A of the Securities Act in connection with the offering of the Registrable Securities.

(h) The Company will file a Registration Statement and all amendments and supplements thereto electronically on EDGAR.

6. FURNISH INFORMATION. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement that the selling Investors shall furnish to the Company such information regarding them and the securities held by them as the Company shall reasonably request and as shall be required in order to effect any registration by the Company pursuant to this Agreement. Each Investor shall promptly notify the Company of any changes in the information furnished to the Company.

7. EXPENSES OF REGISTRATION. Except as set forth in Section 5(d), all expenses incurred in connection with the registration of the Registrable Securities pursuant to this Agreement (excluding underwriting, brokerage and other selling commissions and discounts), including without limitation all registration and qualification and filing fees, printing, fees and disbursements of counsel for the Company and fees and expenses of one counsel to the Investors to be designated by the Placement Agent (not to exceed \$7,500), shall be borne by the Company; provided however that the Investors shall be required to pay the expenses of counsel and any other advisors for the Investors and any brokerage or other selling discounts or commissions and any other expenses incurred by the Investors for their own account. In addition, the Company shall also reimburse the Placement Agent for the fees and disbursements of its counsel in connection with its filings with NASD Rule 2710 that are required with respect to the Placement Agent's participation in the public offering with respect to the Registration Statement.

8. DELAY OF REGISTRATION. The Investors shall not take any action to restrain, enjoin or otherwise delay any registration as the result of any controversy which might arise with respect to the interpretation or implementation of this Agreement.

9. INDEMNIFICATION.

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(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Investor, and each officer and director of such selling Investor and each person, if any, who controls such selling Investor, within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which they may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue or alleged untrue statement of any material fact contained in a Registration Statement, in any preliminary prospectus or final prospectus relating thereto or in any amendments or supplements to a Registration Statement or any such preliminary prospectus or final prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading and (ii) any blue sky application or other document executed by the Company specifically for that purpose or based upon written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all of the Registrable Securities under the securities laws thereof (any such application, document or information herein called a "Blue Sky Application"); (iii) the omission or alleged omission to state in a Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading; (iv) any violation by the Company or its agents of any rule or regulation promulgated under the Securities Act applicable to the Company or its agents and relating to action or inaction required of the Company in connection with such registration; or (v) any failure to register or qualify the Registrable Securities included in any such Registration Statement in any state where the Company or its agents has affirmatively undertaken or agreed in writing that the Company will undertake such registration or qualification on an Investor's behalf; and will reimburse such selling Investor, or such officer, director or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, damage, liability or action to the extent that it arises out of or is based upon (i) an untrue statement or alleged untrue statement or omission made in connection with a Registration Statement, any preliminary prospectus or final prospectus relating thereto or any amendments or supplements to a Registration Statement or any such preliminary prospectus or final prospectus, in reliance upon and in conformity with written information furnished expressly for use in connection with a Registration Statement or any such preliminary prospectus or final prospectus by the selling Investors or (ii) at any time when the Company has advised the Investor in writing that the Company does not meet the conditions for use of Rule 172 and as a result that the Investor is required to deliver a current prospectus in connection with any disposition of Registrable Securities, an untrue statement or alleged untrue statement or omission in a prospectus that is (whether preliminary or final) corrected in any subsequent amendment or supplement to such prospectus that was delivered to the selling Investor before the pertinent sale or sales by the selling Investor.

(b) To the extent permitted by law, each selling Investor will severally and not jointly indemnify and hold harmless the Company, each of its directors, each of its officers who have signed a Registration Statement, each person, if any, who controls the Company within the meaning of the Securities Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer, controlling person, may become subject to, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any untrue or alleged untrue statement of any material fact contained in a Registration Statement or any preliminary prospectus or final prospectus, relating thereto or in any amendments or supplements to a Registration Statement or any such preliminary prospectus or final prospectus, or arise out of or are based

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upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent and only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission (i) was made in a Registration Statement, in any preliminary prospectus or final prospectus relating thereto or in any amendments or supplements to a Registration Statement or any such preliminary prospectus or final prospectus, in reliance upon and in conformity with written information furnished by the selling Investor expressly for use in connection with a Registration Statement, or any

preliminary prospectus or final prospectus or (ii) at any time when the Company has advised the Investor in writing that the Company does not meet the conditions for use of Rule 172 and as a result that the Investor is required to deliver a current prospectus in connection with any disposition of Registrable Securities, was corrected in any subsequent amendment or supplement to such prospectus that was delivered to the selling Investor before the pertinent sale or sales by the selling Investor; and such selling Investor will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, or other selling Investor in connection with investigating or defending any such loss, claim, damage, liability or action, provided, however, that the liability of each selling Investor hereunder shall be limited to the net proceeds (net of underwriting discounts and commissions, if any) received by such selling Investor from the sale of Registrable Securities giving rise to such liability, and provided, further, however, that the indemnity agreement contained in this Section 9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of those selling Investor(s) against which the request for indemnity is being made (which consent shall not be unreasonably withheld).

(c) Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof and the indemnifying party shall have the right to participate in and, to the extent the indemnifying party desires, jointly with any other indemnifying party similarly noticed, to assume at its expense the defense thereof with counsel satisfactory to the indemnifying party or indemnifying parties, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise under the indemnity agreement contained in this Section 9 (except to the extent that such omission materially and adversely affects the indemnifying person's ability to defend such action). In the event that the indemnifying party assumes any such defense, the indemnified party may participate in such defense with its own counsel and at its own expense, provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded, based on an opinion of counsel reasonably satisfactory to the indemnifying party, that there may be a conflict of interest between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless the indemnified party shall have employed such counsel in connection with the assumption of legal defenses in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel and one local counsel, reasonably satisfactory to such indemnifying party, representing all of the indemnified parties who are parties to such

action in which case the reasonable fees and expenses of counsel shall be at the expense of the indemnifying party.

(d) Notwithstanding anything to the contrary herein, the indemnifying party shall not be entitled to settle any claim, suit or proceeding unless in connection with such settlement the indemnified party receives an unconditional release with respect to the subject matter of such claim, suit or proceeding and such settlement does not contain any admission of fault by the indemnified party.

(e) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Investors on the other in connection with the statements or omissions or other matters which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, in the case of an untrue statement, whether the untrue statement relates to information supplied by the Company on the one hand or an Investor on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement. The Company and the Investors agree that it would not be just and equitable if contribution pursuant to this subsection (e) were determined by pro rata allocation (even if the Investors were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Investors' obligations in this subsection to contribute are several in proportion to their sales of Registrable Securities to which such loss relates and not joint. In no event shall the contribution obligation of an Investor be greater in amount than the dollar amount of the net proceeds (net of all expenses paid by such Investor in connection with any claim relating to this Section 9 and the amount of any damages such Investor has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission) received by it upon the sale of the Registrable Securities giving rise to such contribution obligation.

(f) The parties to this Agreement hereby acknowledge that they are sophisticated business persons who were represented by counsel during the negotiations regarding the provisions hereof including, without limitation, the provisions of this Section 9, and are fully informed regarding said provisions. They further acknowledge that the provisions of this Section 9 fairly allocate the risks in light of the ability of the parties to investigate the Company and its business in order to assure that adequate disclosure is made in a Registration Statement as required by the Securities Act and the Exchange Act.

10. REPORTS UNDER THE EXCHANGE ACT. With a view to making available to the Investors the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit the Investors to sell the Registrable Securities to the public without

registration, the Company agrees: (i) to make and keep public information available as those terms are understood in Rule 144, (ii) to file with the SEC in a timely manner all reports and other documents required to be filed by an issuer of securities

registered under the Securities Act or the Exchange Act pursuant to Rule 144, (iii) as long as any Investor owns any Registrable Securities, to furnish in writing upon such Investor's request a written statement by the Company that it has complied with the reporting requirements of Rule 144 and of the Securities Act and the Exchange Act, and to furnish to such Investor a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed by the Company as may be reasonably requested in availing such Investor of any rule or regulation of the SEC permitting the selling of any such Registrable Securities without registration and (iv) undertake any additional actions reasonably necessary to maintain the availability of the use of Rule 144.

11. SUSPENSION. Notwithstanding anything in this Agreement to the contrary, in the event (i) of any request by the SEC or any other federal or state governmental authority during the period of effectiveness of a Registration Statement for amendments or supplements to a Registration Statement or related prospectus or for additional information; (ii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose; (iii) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose; (iv) of any event or circumstance which necessitates the making of any changes in a Registration Statement or related prospectus, or any document incorporated or deemed to be incorporated therein by reference, so that, in the case of a Registration Statement, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the prospectus, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (v) that the Board has made the good faith determination (A) that continued use by the selling Investors of a Registration Statement for purposes of effecting offers or sales of Registrable Securities pursuant thereto would require, under the Securities Act, premature disclosure in a Registration Statement (or the prospectus relating thereto) of material, nonpublic information concerning the Company, its business or prospects or any proposed material transaction involving the Company, (B) that such premature disclosure would be materially adverse to the Company, its business or prospects or any such proposed material transaction or would make the successful consummation by the Company of any such material transaction significantly less likely and (C) that it is therefore essential to suspend the use by the Investors of such Registration Statement (and the prospectus relating thereto) for purposes of effecting offers or sales of Registrable Securities pursuant thereto, then the Company shall furnish to the selling Investors a certificate signed by the President or Chief Executive Officer of the Company setting forth one or more of the above described circumstances, and the right of the selling Investors to use a Registration Statement (and the prospectus relating thereto) shall be suspended for a period (the "Suspension Period") of not more than forty-five (45) days after delivery by the Company of the certificate referred to above in this Section 11; provided that the Company shall be entitled to no more than two such Suspension Periods during the twelve (12) month period commencing on the Final Closing and during each subsequent twelve (12) month period until the Mandatory Registration Termination Date (including any extension thereto). During the Suspension Period, none of the Investors shall offer or sell any Registrable Securities pursuant to or in reliance upon a Registration Statement (or the prospectus relating thereto) and each of the Investors shall keep the fact of the above described certificate and its contents confidential. The Company shall use commercially reasonable efforts to terminate any Suspension Period as promptly as practicable.

12. TRANSFER OF REGISTRATION RIGHTS. An Investor may transfer or assign, in whole or from time to time in part, to one or more persons its rights hereunder in connection with the transfer of

Registrable Securities by such Investor to such person, provided that such Investor complies with all laws applicable thereto and provides written notice of assignment to the Company promptly after such assignment is effected and, provided, further that such person agrees to become a party to, and bound by, all of the terms and conditions of, this Agreement by duly executing and delivering to the Company an Instrument of Adherence in the form attached as Exhibit B hereto.

13. ENTIRE AGREEMENT. This Agreement, the Warrant and the Subscription Agreement constitute and contain the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersede any and all prior negotiations, correspondence, agreements or understandings with respect to the subject matter hereof.

14. MISCELLANEOUS.

(a) This Agreement may not be amended, modified or terminated, and no rights or provisions may be waived, except with the written consent of the Majority Holders and the Company.

(b) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York and without regard to any conflicts of laws concepts which would apply the substantive law of some other jurisdiction, and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors or assigns, provided that, to the extent applicable, the terms and conditions of Section 12 hereof are satisfied. This Agreement shall also be binding upon and inure to the benefit of any transferee of any of the Registrable Securities provided that the terms and conditions of Section 12 hereof are satisfied. Notwithstanding anything in this Agreement to the contrary, if at any time any Investor shall cease to own any Registrable Securities, all of such Investor's rights under this Agreement shall immediately terminate.

(c) Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the

giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

(d) Any notices, reports or other correspondence (hereinafter collectively referred to as "correspondence") required or permitted to be given hereunder shall be in writing and shall be sent by postage prepaid first class mail, courier or telecopy or delivered by hand to the party to whom such correspondence is required or permitted to be given hereunder, and shall be deemed sufficient upon receipt when delivered personally or by courier, overnight delivery service or confirmed facsimile, or three (3) business days after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below:

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(i) All correspondence to the Company shall be addressed as follows:

124 North First Street,
Louisville, KY 40202
Attention: Bruce Widener, Chief Executive Officer
Facsimile: 502-657-6604

with a copy to:

Frost Brown Todd LLC
400 West Market Street, 32d Floor
Louisville, Kentucky 40202
Attention: David O. Watson, Esq.
Fax: (502) 581-1087

(ii) All correspondence to any Investor shall be sent to such Investor at the address set forth in the Investor Counterpart Signature Page to the Subscription Agreement.

(iii) Any entity may change the address to which correspondence to it is to be addressed by written notification as provided for herein.

(e) The parties acknowledge and agree that in the event of any breach of this Agreement, remedies at law may be inadequate, and each of the parties hereto shall be entitled to seek specific performance of the obligations of the other parties hereto and such appropriate injunctive relief as may be granted by a court of competent jurisdiction.

(f) Should any part or provision of this Agreement be held unenforceable or in conflict with the applicable laws or regulations of any jurisdiction, the invalid or unenforceable part or provisions shall be replaced with a provision which accomplishes, to the extent possible, the original business purpose of such part or provision in a valid and enforceable manner, and the remainder of this Agreement shall remain binding upon the parties hereto.

(g) This Agreement may be executed in a number of counterparts, any of which together shall for all purposes constitute one Agreement, binding on all the parties hereto notwithstanding that all such parties have not signed the same counterpart.

[Signature Page to Follow]

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WITNESS WHEREOF, the parties hereto have executed this Registration Rights Agreement as of the date and year first above written.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: /s/Bruce Widener

Bruce Widener
Chief Executive Officer

ALLEN PARTNERS

By: /s/ Alan Goddard

THE INITIAL INVESTOR'S SIGNATURE TO THE SUBSCRIPTION AGREEMENT DATED OF EVEN DATE HERewith SHALL CONSTITUTE THE INVESTOR'S SIGNATURE TO THIS REGISTRATION RIGHTS AGREEMENT.

Signature Page to Registration Rights Agreement

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EXHIBIT A
INVESTOR LIST

A-1

EXHIBIT B
Instrument of Adherence

Reference is hereby made to that certain Registration Rights Agreement, dated as of April __, 2008, among Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "Company"), the Investors and the Investor Permitted Transferees, as amended and in effect from time to time (the "Registration Rights Agreement"). Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Registration Rights Agreement.

The undersigned, in order to become the owner or holder of [_____] shares of common stock, par value \$0.001 per share (the "Common Stock"), of the Company, or a Warrant or Warrants to purchase [_____] Underlying Shares, hereby agrees that, from and after the date hereof, the undersigned has become a party to the Registration Rights Agreement in the capacity of an Investor Permitted Transferee, and is entitled to all of the benefits under, and is subject to all of the obligations, restrictions and limitations set forth in, the Registration Rights Agreement that are applicable to Investor Permitted Transferees. This Instrument of Adherence shall take effect and shall become a part of the Registration Rights Agreement immediately upon execution.

Executed as of the date set forth below under the laws of the State of New York.

Signature: _____

Name:

Title:

Accepted:

[_____]

By: _____

Name:

Title:

Date: _____, 200__

B-1

EXHIBIT C

Other securities to be included in Initial Registration Statement

[PLEASE PROVIDE INFORMATION ON COMMON STOCK UNDERLYING PREFERRED STOCK ANTICIPATED TO PIGGYBACK ON THIS REG STATEMENT]

C-1

EXHIBIT D

Other securities to be included in an additional Registration Statement

Securities that are cut-back from the Initial Registration Statement based on SEC Guidance

D-1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Bruce Widener, certify that:

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

Date: August 19, 2008

/s/ Bruce Widener

Bruce Widener
Principal Executive Officer

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Robert R. Mohr, certify that:

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

Date: August 19, 2008

/s/ Robert R. Mohr

Robert R. Mohr
Principal Financial Officer

Beacon Enterprise Solutions Group, Inc.

CERTIFICATION OF PERIODIC REPORT

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

The undersigned executive officer of Beacon Enterprise Solutions Group, Inc. (the "Company") certifies pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- the quarterly report on Form 10-QSB of the Company for the quarter ended June 30, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 19, 2008

/s/ Bruce Widener

Bruce Widener
Principal Executive Officer

Beacon Enterprise Solutions Group, Inc.

CERTIFICATION OF PERIODIC REPORT

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

The undersigned executive officer of Beacon Enterprise Solutions Group, Inc. (the "Company") certifies pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- the quarterly report on Form 10-QSB of the Company for the quarter ended June 30, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 19, 2008

/s/ Robert R. Mohr

Robert R. Mohr
Principal Financial Officer